Department for Education

Department for Education

Consolidated annual report and accounts

For the year ended 31 March 2026



HC 413

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

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This is part of a series of departmental publications which, along with the Main Estimates 2026-27 and the document Public Expenditure: Statistical Analyses 2026, present the government's outturn for 2025-26 and planned expenditure for 2026-27.

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Performance Report

Forewords

Secretary of State's foreword



It is a privilege to present this year's annual report and accounts (ARA). First off, I'd like to thank Bridget and the previous ministerial team for the achievements in this report. As the new Secretary of State, I will build on those strong foundations to rewire the education system so that it works for every child, young person and family.

As this report shows, 2025-26 was a busy year in the Department (DfE). Big steps were taken towards giving every child the very best start in life. Children and their families are now benefitting from the expanded childcare offer and thousands more school-based nursery places. Crucially, our new Best Start Family Hubs (BSFH) began to open across the country, bringing together the best early support for families, all in one place. I'm focused now on continuing the rollout so more and more families can find the right support in their local communities.

The Department also kicked off much-needed reforms for children with special educational needs and disabilities (SEND). The case for change is clear: we have a system that forces parents to battle for support and ultimately fails to deliver for children. Instead, we need a system that works for every child, providing the right support at the right time in the right place – without a fight. Our reforms are collaborative to the core, drawing on a national conversation that brought together thousands of parents, experts, teachers and more from across the country.

In February, the Department published the SEND consultation alongside the Every Child Thriving and Achieving White Paper[1] (schools white paper). In those pages is a clear and deep commitment to bringing together excellence and inclusion so that every child gets a brilliant education that sets them up not just for a good career but a good life too.

That's a commitment I share and will see through in the months and years ahead. I will be a champion for every child. A big part of that will be creating new technical and vocational qualifications of equal esteem. Thanks to the actions outlined in this report, we have already made a strong start. Technical excellence colleges (TECs) are up and running, T Levels are now established alongside A levels, and new V Levels have been announced, starting in September 2027.

I'm also pleased that progress was made in reforming children's social care so that every child is safe, supported and able to thrive. That includes big investment in the Families First Partnership programme, which gives local areas the certainty and capacity to shift towards earlier help, stronger family support and better outcomes for children.

Alongside that programme of reform across education, the Department provided some much-needed help for parents struggling with the cost-of-living crisis. The extension of free school meals, a huge expansion of free

1 https://www.gov.uk/government/publications/post-16-education-and-skills-white-paper/post-16-education-and-skills-white-paper

childcare, millions of meals served in free breakfast clubs, and new legislation to tackle uniform costs are combining to give parents a bit more breathing space. I want parents to be able to focus on their children's education, rather than putting food on the table or money on the meter. So there will be much more coming on stream soon.

All in all, the report covers a huge breadth of work. And I want to say an enormous thank you to everyone working at DfE who has helped to improve the lives of babies, children and families up and down the country. We've only just begun working together, but I am already proud to call you colleagues.

One colleague we'll all miss in the years to come is Susan Acland-Hood, who recently announced that she will be leaving after six years as Permanent Secretary. Susan has been an exceptional public servant. Her achievements include helping children and families recover from the pandemic, expanding childcare provision, strengthening the skills system and so much more. I want to thank Susan for her leadership, and we all wish her well for the future.

I'd like to welcome Simon Ridley as the new Permanent Secretary, who joins us from the Home Office. And looking ahead, we have a big agenda. From schools to SEND, from the best start in life to higher education, we will help to deliver better lives for the people we serve and get Britain believing in itself again. Together we will give our young people the skills, knowledge and know-how to succeed in the modern world.

The Department for Education is in so many ways about hope. It's the department in which we make a better future possible – breaking down barriers, boosting life chances and delivering opportunity in every postcode. Through the learning we shape for children and the support we provide for families, we are right at the heart of giving people hope for the future.

A vision of this size can only become a reality if we work together – local leaders, national government, parents, professionals and anyone who cares about the future of our country. Thank you for all your hard work this year, and I look forward to partnering with you next year and in the years to come.

Rt Hon Lucy Powell MP
Secretary of State

9 November 2026

Permanent Secretary's foreword



Over the past year, the Department has set ambitious long-term priorities across every phase of education to deliver meaningful change for children, young people and families. As we move firmly into delivery, I continue to be grateful for the sustained commitment and professionalism of colleagues across the Department, our agencies and partners in advancing a significant programme of reform.

The Department remains committed to improving opportunity for children and young people, starting by giving children the best possible start in life. In September, we successfully completed expansion of working parent childcare entitlements and have opened hundreds of BSFHs as well as additional school-based nurseries across the country. Together, these programmes support families in the first stages of childhood and strengthen the transition from early years to primary education.

To reaffirm our commitment to working alongside the school system and partners to support all children to achieve and thrive, we launched an ambitious schools white paper in February. Change is underway, including plans to revitalise the curriculum[2] so every young person gains the knowledge and skills needed for life and work. A strong workforce underpins this ambition, with over 4,600 additional teachers than in 2024/25 and 2025/26. Targeted school support has been strengthened through the regional improvement for standards and excellence (RISE)[3] programme, backed by £20 million providing both universal and targeted support to around 400 schools[4] to improve standards and build leadership capacity.

I am particularly grateful for the honest input from many of our partners and stakeholders to the plans we set out in February to better support children with additional needs. We introduced a £1.6 billion Inclusive Mainstream Fund,[5] the Experts at Hand programme,[6] and £3.7 billion of capital investment[5] to expand provision and improve accessibility. We also continue to expand children's access to free breakfast clubs, now operating in over 1,350 schools,[7] and are working closely with schools and children's health partners to tackle absence, resulting in 3.1 million school days recovered at the year end in 2025/26. Together, these measures are designed to ensure that children receive the right support at the right time, allowing them to engage with and enjoy their education.

2 https://www.gov.uk/government/news/new-curriculum-to-give-young-people-the-skills-for-life-and-work
3 https://www.gov.uk/government/publications/regional-improvement-for-standards-and-excellence-rise/regional-improvement-for-standards-and-excellence-rise
4 https://www.gov.uk/government/publications/rise-programme-lists-of-advisers-and-schools
5 https://www.gov.uk/government/news/specialist-send-support-in-every-school-and-community
6 https://www.gov.uk/government/publications/experts-at-hand-local-authority-send-transformation-fund/experts-at-hand-local-authority-send-transformation-fund-funding-for-local-authorities-2026-to-2027#experts-at-hand-offer
7 https://www.gov.uk/government/publications/breakfast-clubs-early-adopters-schools-in-the-scheme

In our Post-16 Education and Skills White Paper (skills white paper),[8] we strengthened our commitment to support young people in their transition from education to work. From 29 new TECs to the work of Skills England, we are aligning education more closely with the skills needed by employers and employees. Initiatives like the Youth Guarantee Trailblazers and the lifelong learning entitlement (LLE) are opening up opportunities for people to learn, train and progress throughout their lives.

Beyond education settings, wider economic changes and ongoing global events affecting family incomes significantly shape children's experiences and outcomes. The Child Poverty Strategy,[9] developed with the Department for Work and Pensions (DWP), will strengthen support for families through expanded free school meals and removal of the two-child limit. In April 2026, we successfully gained Royal Assent for the landmark Children's Wellbeing and Schools Act. The act shifts the focus of the children's social care system to earlier support for children and families and supports keeping children safe through improved multi-agency working and stronger information sharing. The Families First Partnership programme,[10] backed by £2.4 billion, is enabling local areas to redesign services around earlier help. In parallel, the Renewing fostering[11] action plan sets out urgent steps to recruit and retain more foster carers and securing homes for 10,000 additional children.

Internally, we have strengthened our position as an agile, innovative workforce while reducing in size and navigating a machinery of government change with DWP. We have embraced modern technology to streamline processes, improve decision-making, and better support schools, whilst maintaining a strong focus on developing our people. This is evidenced by a further year-on-year increase in employee engagement, and our continued position as a Top 100 apprentice employer, with over 5% of staff in apprenticeships.

As we embark on another busy year, I welcome the continued dedication of colleagues across the department and beyond, whose hard work makes a real difference to the lives of children and young people.

Susan Acland-Hood
Permanent Secretary

9 November 2026

8 https://www.gov.uk/government/publications/post-16-education-and-skills-white-paper/post-16-education-and-skills-white-paper
9 https://www.gov.uk/government/collections/child-poverty-strategy
10 https://www.gov.uk/government/publications/families-first-partnership-programme
11 https://www.gov.uk/government/publications/renewing-fostering-homes-for-10000-more-children

Overview

This section outlines the Department for Education's (the Department's) responsibilities for this financial year, including strategic objectives, key risks, the sectors we serve and performance against agreed targets.

The following terminology is used throughout this ARA:

- Department, the core department
- Agencies, executive agencies individually or collectively
- Non-departmental Public Bodies (NDPBs), non-departmental public bodies individually or collectively
- Group, the consolidated economic unit comprising the Department, Agencies and NDPBs which is the focus of this ARA
- financial years (ending 31 March) are written as '2025-26'; academic years (ending 31 July for colleges or 31 August for academy trusts) are written as '2025/26'

Operating model

The Department is responsible for children's services and education in England, covering early years, schools, further and higher education, apprenticeships and non-adult skills policy. These responsibilities are delivered in partnership with:

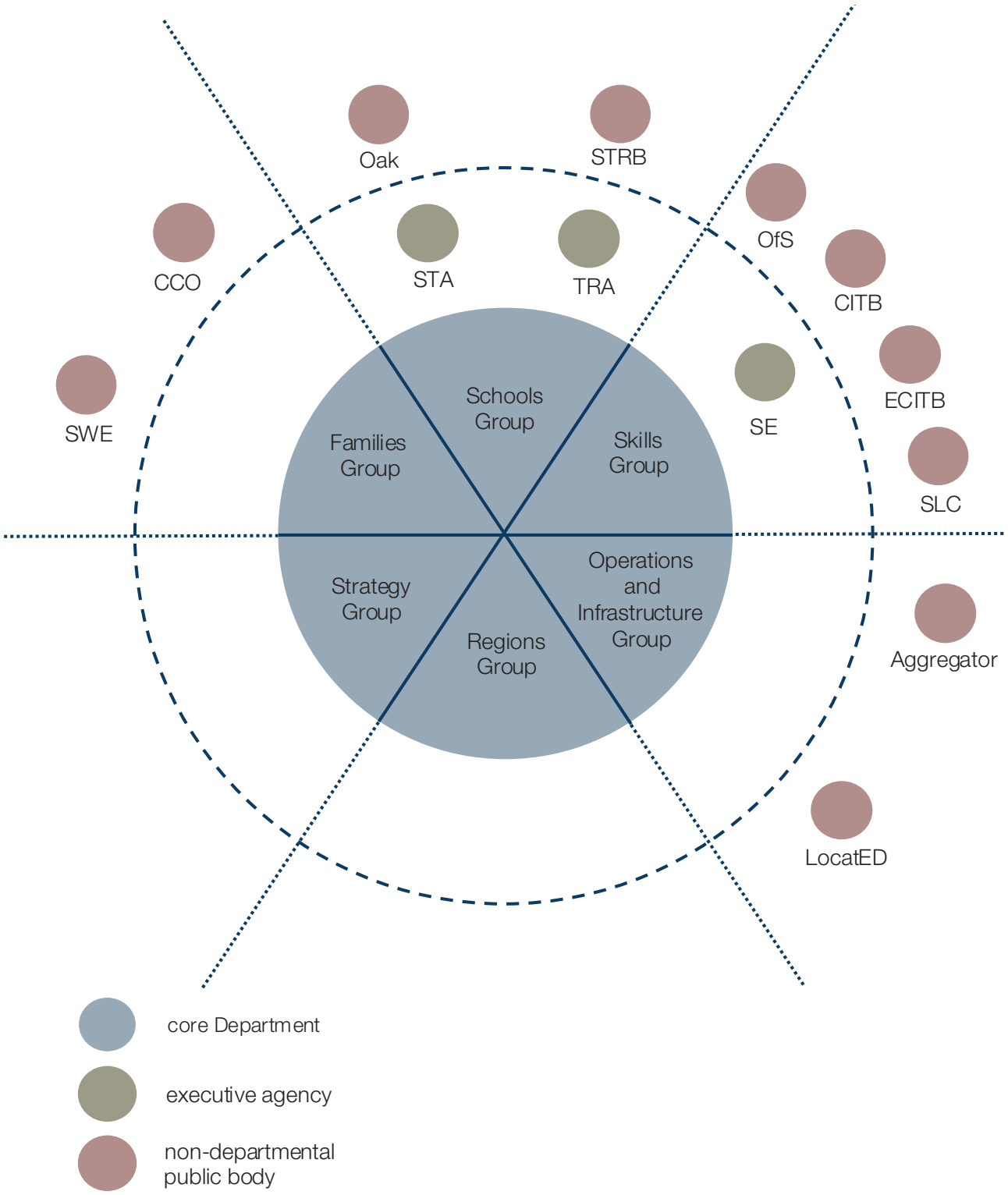
- early education and childcare providers
- local authorities, dioceses, academy trusts, further and higher education providers and children's services organisations
- professionals across education, children's services and health service sectors
- other government departments such as DWP, Ministry of Housing, Communities and Local Government (MHCLG) and Department of Health and Social Care (DHSC)
- non-ministerial departments Ofsted and Ofqual

Organisational structure

The Department is a ministerial department supported by executive agencies and NDPBs, which together form the financial reporting group covered in this ARA. Non-ministerial departments, although closely aligned, are excluded since they are not judged to be controlled by the Department and so fall outside the Group's financial reporting boundary.

Strategic responsibilities are structured into six operational units, each led by a director general. These business units also oversee the performance of the Department's Agencies and NDPBs, as illustrated in Figure 1. Further details on these business units and constituent bodies (including abbreviations) are provided in the Structure of the Departmental Group. The position shown is as at the year end and therefore does not reflect the transfers of function arising from machinery of government (MoG) changes noted elsewhere in this ARA.

Figure 1: The Group's organisational structure at the year end



Our vision

The Department for Education works to deliver better life chances for all – protecting children and ensuring the delivery of higher standards of education, training and care. We create opportunities for children and learners to achieve and thrive today, so they have the freedom to succeed and flourish tomorrow, strengthening our society, powering our economy and enabling equality.

The Department leads on ensuring that every child, regardless of their background, has the chance to succeed. The Department also makes an important contribution to growth, where our skills, capital and childcare programmes are critical.

Our performance at a glance

Below we provide a high-level assessment of performance across the year against our strategic outcomes, together with a summary of key activity. More detailed reporting is set out in the Performance analysis section.





Pillar 1: Best start in life

Outcome	Year end performance
75% of children aged 5 achieving a good level of development (GLD) by 2028.	68.3% (up 0.6ppts from 2024)

Activities

- We launched our Best Start in Life strategy and began rolling out our BSFHs, supported by £1.5 billion.
- We completed the expansion of funded childcare to working parents, delivering 30 hours of funded childcare for working parents of children aged 9 months plus.
- We worked with local authorities to increase take-up of the 15-hour entitlement for two-, three- and four-year-olds, particularly among low-income families and children with SEND.
- We confirmed the first wave of 300 new or expanded school-based nurseries, creating more than 6,000 new places. In March 2026, we announced funding for an additional 331 schools as part of phase 2.
- We worked on increasing early years pupil premium (EYPP) rates by 15% to up to £655 per eligible child each year, which was implemented at the start of the next year.



Pillar 2: Every child achieving and thriving

Outcome	Year end performance
Raise the national average attainment 8 score above 50.	46.0 (up 0.1 from 2024)
Halve the disadvantage gap in average attainment 8 score between disadvantaged and non-disadvantaged pupils.	34.9 (up 0.3 from 2024) Gap – 15.5 (up 0.1 from 2024)
Highest proportion of pupils reaching the expected standard at the end of key stage 2 by 2028/29 (above 64.9%, the peak in 2018/19).	62% (up 1.6ppts from 2024)
Highest proportion of disadvantaged pupils reaching expected standard at the end of key stage 2 by 2028/29 (above 51.3%, the peak in 2018/19).	47% (up 1ppt from 2024)
Raise the attendance rate by 1.3 percentage points (ppts) compared to 2023/24, to over 94% – equivalent to children attending 20 million more days of school each year from 2028/29.	In 2024/25, children attended school for 4.38 million more days
90% of children meeting the expected standard in the year 1 phonics screening check by 2028/29.	80% (unchanged from 2024)

Activities

- We have published the schools white paper, alongside the SEND consultation Putting children and young people first, and the 6,500 additional teacher delivery plan. We also launched a consultation on proposals to improve key stage 4 academic performance measures and extending targeted RISE.
- RISE teams have been established to drive school improvement across Targeted and Universal RISE offers, with Targeted RISE supporting over 180,000 pupils across England.
- We are turning the tide on the school attendance crisis, with pupils attending over four million more days of school in 2024/25 compared to the previous year, the biggest improvement in over a decade.

- We have rolled out RISE Attendance and Behaviour Hubs, providing capacity for more than 2,600 schools to receive regional support.
- Free breakfast clubs have served over 8.5 million meals across the country – supporting nearly 180,000 children already to start their day ready to learn.
- We have now achieved over 70% of the 6,500 additional teachers target: there are 4,654 more teachers; 3,008 more teachers in secondary and special schools (2025/26 census) and 1,646 more teachers in further education (2024/25 census).
- We have set out proposals to improve the national curriculum in our response to the independent curriculum and assessment review.





Pillar 3: Skills for opportunity and growth

Strategic outcome

Support young people to develop skills they and the country needs, with an increased share of young people participating in higher training.

Outcome	Year end performance
Two-thirds of young people participate in higher education (level 4 and beyond) by age 25, including 10% participating in level 4 or 5 by 2040.	51% level 4+ (50% in 2022/23) 5.7% level 4 or 5 (5.8% in 2022/23)
Reduced numbers of young people aged 16 to 24 not in education, employment or training (NEET).	1,012,000 (13.5% of 16 to 24-year-olds, 12.5% in March 2025)
Increased provision of, and more demand amongst individuals, for the courses which deliver the skills needed in priority sectors.	Data in development
A reduced proportion of vacancies in priority sectors that are attributable to skills shortages.	27% in 2024 (2022: 36%; 2017: 22%)

Activities

- We published the skills white paper, setting out plans to equip people with the skills needed for the future workforce.
- Skills England was established.
- The growth and skills levy was introduced.
- We commenced reforming qualifications following the curriculum and assessment review.
- We continued strengthening the workforce, publishing a delivery plan in February 2026 to support further education recruitment and retention.
- Technical education has been strengthened through TECs, including ten construction TECs (August 2025) and nineteen further TECs (April 2026).



Pillar 4: Family security – keeping children safe and reducing child poverty

Outcome	Year end performance
Reduced number of children in care (excluding non-accompanied asylum-seeking children).	75,240 (down from 76,090 at March 2024)
Reduced number of children growing up in relative poverty (after housing costs).	4.0 million children (27% relative low income after housing costs)

Activities

- We announced the biggest overhaul to children's social care (CSC) and in April 2026 gained Royal Assent for the landmark Children's Wellbeing and Schools Act.
- We established the families first partnership programme.
- We launched seven kinship zones to support kinship families with the right help at the right time, these will test the impact of providing a weekly financial allowance to kinship carers, equal to the national minimum allowance for foster carers.
- We published a fostering action plan. Our commitment to create 10,000 more foster places this parliament is a vital first step, as well as investing in England-wide action and enhanced regional collaboration, through the expansion of regional care co-operatives.
- We are tackling child poverty jointly with DWP, through the child poverty strategy published in year, focusing on boosting families' incomes, reducing essential costs, and strengthen access to local support and services.
- We scrapped the two-child limit on Universal Credit, and this comes alongside a package of measures that will help those on the lowest incomes by reducing costs and boosting incomes, as well as supporting families through public services.
- We provided for an expansion of BSFHs, free breakfast clubs, and our extension of free school meals to every pupil whose household is in receipt of Universal Credit.

The sectors we served

Funding

£8.8bn
Early years childcare entitlements
(prior year: £6.2bn)

£64.5bn
Core funding for schools, high needs and pupil premium
(prior year: £58.5bn)

£8.1bn
Core funding for 16 to 19 provision
(prior year: £7.2bn)

£3.1bn
Apprenticeships
(prior year: £2.7bn)

£1.2bn
Adult skills fund
reported by the Group plus **£241m** disbursed by MHCLG (see note 6.2)
(prior year: £1.5bn)

£11.9bn
tuition fees
to the higher education sector
(prior year: £11.5bn)

Sector metrics

35,705
pupils in
376
state-funded nurseries
in January 2026
(prior year: 37,275 in 379 nurseries)

4.47m
pupils in
16,712
state-funded primary schools
in January 2026
(prior year: 4.55m in 16,743 schools)

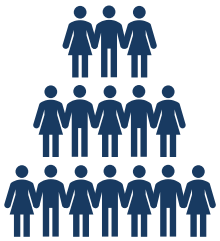
3.66m
pupils in
3,458
state-funded secondary schools
in January 2026
(prior year: 3.67m in 3,456 schools)

Pupils –

5.4m
in academies and

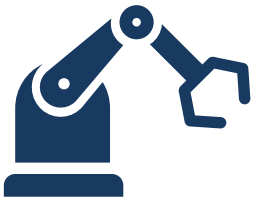
3.0m
in maintained schools

at January 2026
(prior year: 5.3m and 3.2m respectively)



493,200
adults in regulated education and training provision

(Aug-2025 to Jan-2026)
(prior year: 529,800)



1.30m
funded 19+ further education and skills participants

at Aug-2025 to Jan-2026
(prior year: 1.33m)



49,420
children subject to a protection plan

at 31 March 2025
(prior year: 49,900)



81,700
children looked after

at 31 March 2025
(prior year: 83,630)



402,400
children in need

at 31 March 2025
(prior year: 399,460)



1.32m
pupils with SEN support

and

539,000
EHC plans

in 2025/26 (prior year: 1.28m & 483,000)

Workforce data

All workforce data is provided as full time equivalent (FTE) apart from social worker numbers which is headcount.



212,800 teachers in state-funded primary and nursery schools

in November 2025
(prior year: 215,600)



218,500 teachers in state-funded secondary schools

in November 2025
(prior year: 219,000)



30,300 teachers in state-funded special schools

in November 2025
(prior year: 29,200)



984,600 workforce in state-funded schools

in November 2025
(prior year: 985,800)



57,900 teachers in the FE sector

in 2024/25
(prior year: 55,400)



156,400 workforce in the FE sector

in 2024/25
(prior year: 149,900)



104,957 registered social workers

at November 2025
(prior year: 103,387)

Where we spent taxpayers' money

In this ARA, we report our spending through two financial frameworks: a financial reporting framework and a budgeting framework. Both frameworks apply the accruals concept, covering cash and non-cash balances. Owing to the scale of our student loan and other Statement of Financial Position (SoFP) activities, we report budgetary outturn values not Statement of Comprehensive Net Expenditure (SoCNE) results. Figure 15 provides a high-level reconciliation between outturn (shown in Statement of Outturn against Parliamentary Supply (SOPS)) and net expenditure seen in SoCNE.

More information on performance and budget types is provided in the Financial review of the year. Annex A provides additional analysis of outturn by budget type and operational unit.

Outturn analysis

Figure 2 presents a breakdown of outturn based on Estimate lines as a proxy to our strategic objectives, and links to SOPS notes S1 and S2.

Figure 2: Analysis of current year spending (£145.2 billion outturn) across the Group's strategic objectives

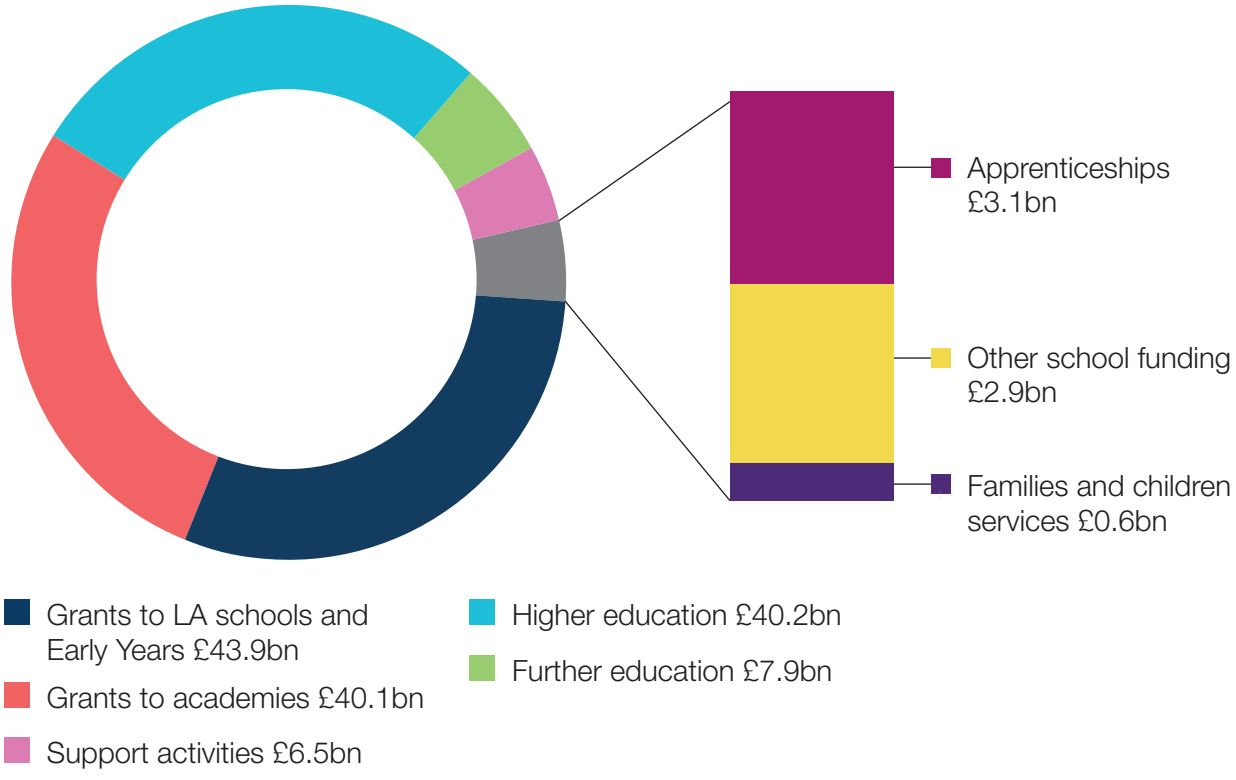
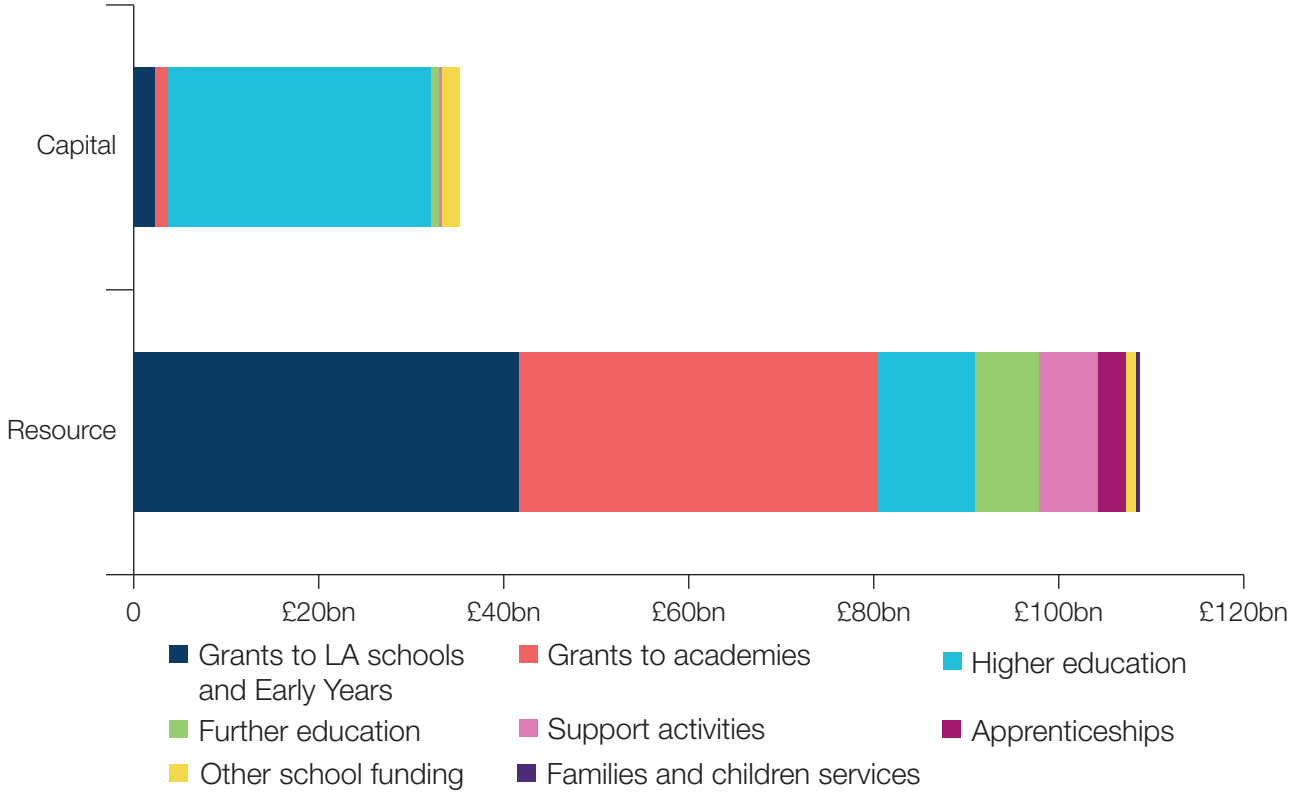
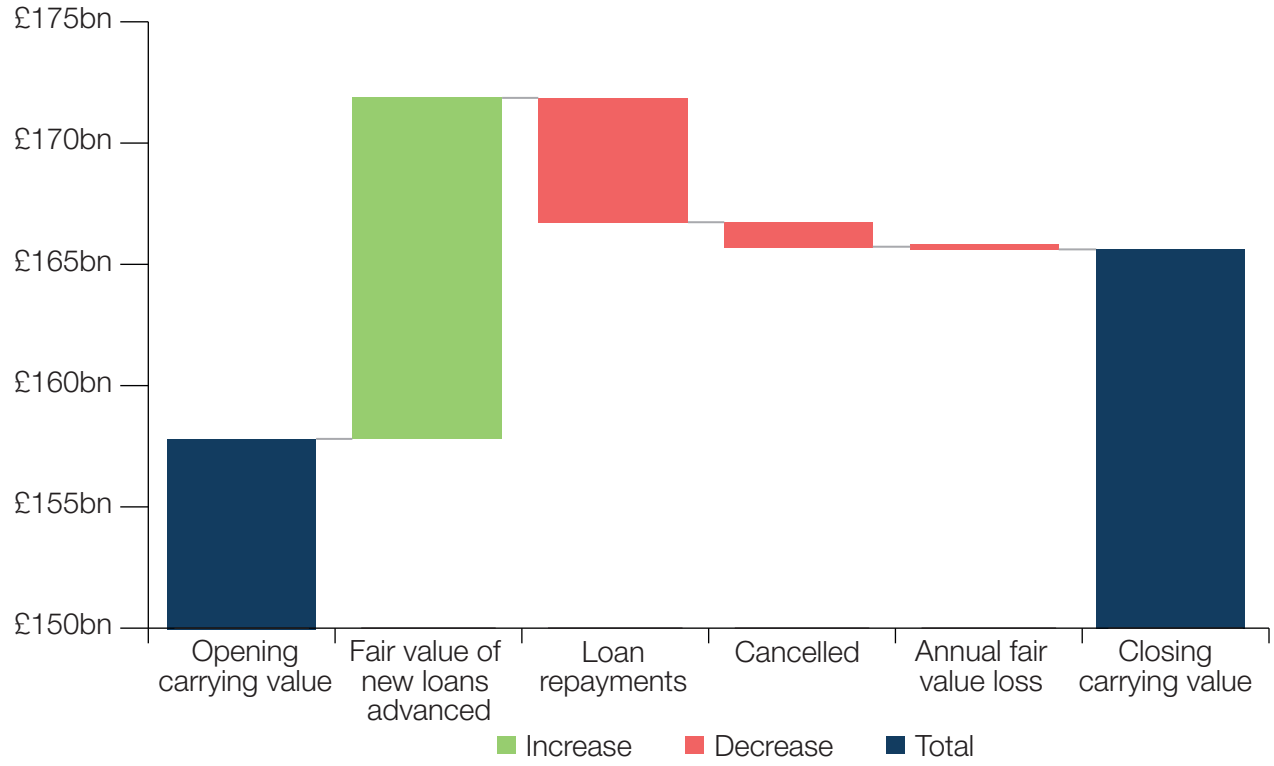


Figure 3: Current year outturn split by resource and capital classifications by Estimate line



In the previous figure, higher education outturn contains both non-student loan activities and student loans. Higher education's disclosed capital outturn of £29.7 billion includes £29.6 billion generated by student loans (new loans less repayments plus capitalised interest). Higher education resource outturn of £10.5 billion includes £7.8 billion for student loans (predominantly fair value losses and cancellations).

Figure 4: Movement of student loan carrying value for the current year

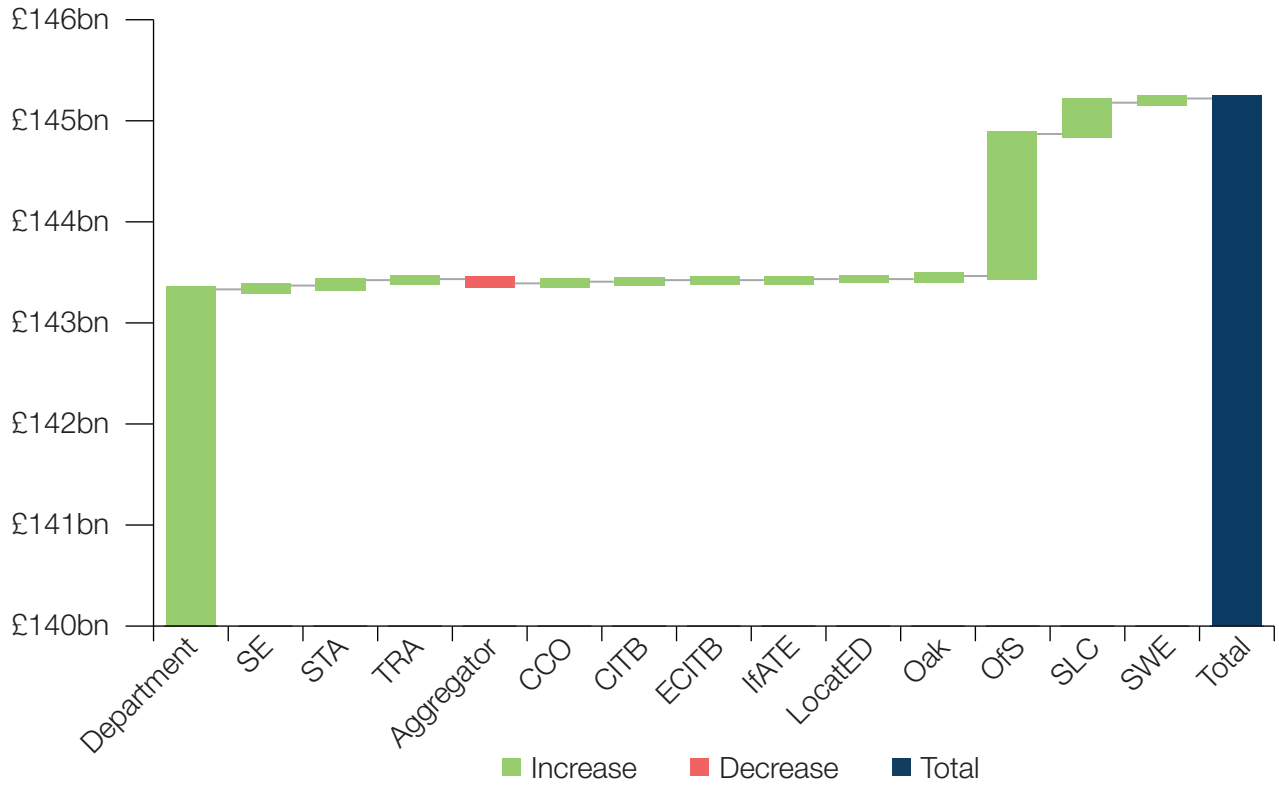


Further information about student loans can be found in note 15 and Annex C (unaudited)

Outturn analysis by Group body

Figure 5 presents this year's total outturn analysed by Group body.

Figure 5: Current year group outturn (£145.2 billion) analysed across Group bodies



OfS provided £1.3 billion funding to the higher education sector. Aggregator, our structured finance vehicle, has negative outturn but reported a profit for the year. This difference is structural because part of its activities (loan liabilities) is outside the scope of budgets so does not produce outturn.

Shortened names for Group bodies have been used in the figure above to save space. More detail is given in Structure of the Departmental Group.

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

Summary of key risks and issues

Below are summaries of the key risks and issues managed by the Department during the year. More detail can be found in Key risks and issues.

Risk 1 – Further education workforce

Direction of risk assessment across the year: stable

There is a risk that shortages of highly skilled further education teachers undermine the delivery of high-quality further education provision.

Risk 2 – Education estate

Direction of risk assessment across the year: stable

There is a risk of building or building element failure in the publicly funded estate resulting from structural safety issues.

Risk 3 – Higher education financial failure

Direction of risk assessment across the year: improving

There is a risk that financial failure of a higher education provider impacts students, the sector and the economy.

Risk 4 – Cyber security

Direction of risk assessment across the year: stable

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.

Risk 5 – SEND

Direction of risk assessment across the year: new in-year

There is an issue that the SEND system is failing to meet the needs of pupils with SEND, who are facing lower academic outcomes, higher absence rates and poorer outcomes.

Risk 6 – AI

Direction of risk assessment across the year: new in-year

There is a risk that the rapid development and adoption of AI exceed the education system's capacity to respond effectively.

Risk 7 – School attendance

Direction of risk assessment across the year: new in-year

School attendance remains below pre-pandemic (2018/19) levels, with persistently high absence harming pupils' attainment, safety and wellbeing.

Structure of the Departmental Group

The Department is led by the Secretary of State for Education who is accountable to Parliament for the overall performance of the Group.

Ministers rely on the Department's Accounting Officer, the Permanent Secretary, to delegate responsibilities within the Group to implement their decisions and to support policymaking and the management of public funds.

Public sector bodies are classified based on the Department's level of control over them. Executive agencies perform executive functions rather than providing policy advice. Other bodies in the Group, known as NDPBs, are separate legal entities but the Department typically sets their strategic framework. The Department usually appoints the Chair and non-executive board members of these bodies and is consulted on the appointment of their chief executive officers.

Group bodies are judged to be controlled by the Department and are included in the Departmental Group's financial reporting boundary, thus consolidated into this ARA.

In addition to controlled bodies, the Department collaborates with other public bodies in the education and children's social care sectors. These bodies are not controlled by the Department and are not part of the Group, but they are described here for completeness.

The bodies listed below were in place at the year end and do not reflect changes occurring after the year end. More detail of the changes, both in-year and post-year end, are given in the section on Group organisational changes.

Executive agencies

Executive agencies are distinct units that operate separately from a central government department, but they remain legally part of that department. They are created by administrative action, and their staff are civil servants employed by that department. This differs from NDPBs, which are legally separate entities with public servants as staff.

Our executive agencies are:

- Skills England (SE), which builds our nation's skills, supporting opportunity and growth, through helping businesses to boost their workforce and get more people into skilled jobs faster
- Standards and Testing Agency (STA), which oversees the development and delivery of assessments for children up to the end of key stage 3 and manages the general qualifications logistics service
- Teaching Regulation Agency (TRA), which regulates the teaching profession, including the investigation of allegations of serious teacher misconduct

Non-departmental public bodies

NDPBs play a role in national government processes but operate independently from ministers. They work within a strategic framework set by ministers and have various roles, including advisory and executive functions.

Executive NDPBs

Executive NDPBs carry out executive or regulatory functions at arm's length from ministers. Further information on movements post-year end is provided in the Forward look and note 29.3.

At the year end our executive NDPBs are:

- Children's Commissioner's Office (CCO), who promote and protect children's rights, especially for the most vulnerable
- Construction Industry Training Board (CITB), who support talent attraction and skills development in the construction industry
- Engineering Construction Industry Training Board (ECITB), who work with employers and training providers to equip the engineering construction industry with necessary skills
- Located Property Limited (LocatED), who select sites for new schools in England
- Oak National Academy Limited (Oak), who support teachers with free high-quality digital curriculum resources
- Office for Students (OfS), who regulate higher education in England and disburse government funding to the sector
- Social Work England (SWE), who regulate social workers in England and aim to raise standards through collaboration with the sector
- Student Loans Company Limited (SLC), who administer loans and grants to students in the UK on behalf of the Department and devolved governments

Advisory NDPBs

Advisory NDPBs consist of external experts who provide independent specialist advice to ministers on specific policy areas. They are supported by a small secretariat from the sponsoring department and do not produce their own ARA.

Our advisory NDPB is:

- School Teachers' Review Body (STRB), who recommend pay, duties and working conditions for school teachers in England

Other bodies

Our other body is:

- Aggregator Vehicle plc (Aggregator), who provided market funding for new school buildings through our private finance initiative (PFI) transaction

Although not formally an NDPB, Aggregator is classified by the Office for National Statistics (ONS) as part of the central government economic sector and included in NDPB disclosures in this ARA.

Excluded sectors

Academy sector

Classified by ONS to the public sector in 2004, with the Department as the controlling body. Although initially consolidated, the academy sector has been excluded from the Group ARA since 2016-17 with Parliamentary approval, with its own standalone sector annual reports and accounts (SARA)[12] with a year end of 31 August.

Following reclassification, each academy trust is considered to be an NDPB, albeit not consolidated into this ARA. At the year end there were 2,081 active academy trusts (prior year: 2,152).

Further education sector

Classified by ONS to the public sector in 2022, with the Department as the controlling body. In December 2025, Parliament approved the budgeting and reporting approach, further education sector spending is expected to be reported in SOPS from 2027-28. The Department will produce a further education sector annual report and accounts, reporting to 31 July, instead of consolidating the sector into the Department's Group ARA. The first sector annual report and accounts will cover the academic year ending 31 July 2028.

The further education sector is excluded from this ARA for the reported years.

Following reclassification, each further education provider is considered to be an NDPB, albeit not consolidated into this ARA. At the year end there were 212 active providers (prior year: 218).

Non-Group bodies

The Department also works with other education sector bodies that are not controlled by the Department or Secretary of State and are not part of the Group.

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

Non-ministerial departments

Independent government departments without their own ministers but accountable to Parliament through sponsoring ministers. Non-ministerial departments produce and publish their own ARAs and Estimates, and are:

- Teachers' Pension Scheme (England and Wales) (TPS), a statutory, unfunded multi-employer defined benefit occupational pension scheme for the teaching profession
- Ofqual, who regulate qualifications, examinations and assessments in England
- Ofsted, who inspect education and skills services, and regulate services for children and young people

Other bodies

These are supported administratively by the Department but do not produce their own ARAs, and are:

- Child Safeguarding Practice Review Panel, who commission reviews of serious child safeguarding cases to improve outcomes for children
- Independent Review Mechanism, who review decisions made by adoption and fostering providers
- Office of the Schools Adjudicator, who decide on objections and variations to school admission arrangements and other school-related issues

Group organisational changes

In-year changes

On 1 April 2025 following the closure of the Education and Skills Funding Agency (ESFA), the Department transferred all of ESFA's remaining assets and liabilities to itself.

On 2 June 2025 following the closure of the Institute for Apprenticeships and Technical Education (IfATE), the Department transferred all remaining assets and liabilities of IfATE to itself or to Skills England.

In April 2025 responsibility for managing the qualified teacher database transferred from TRA to the Department. No significant assets or liabilities transferred between the two bodies.

Note 3 provides more details of the transfer values.

Post-year end movements

On 16 September 2025 the Prime Minister laid a written ministerial statement[13] confirming that responsibility for apprenticeships, adult further education, skills, training and careers, and Skills England, would transfer from the Department to DWP. Responsibility for higher

13 https://questions-statements.parliament.uk/written-statements/detail/2025-09-16/hcws930

education, and for further education, skills, training and careers for those aged 19 years and under remains with the Department.

On 20 November 2025 a second written statement[14] was laid to confirm that whilst policy responsibility transferred from 16 September, financial reporting responsibilities and boundaries remain unchanged for this financial year. Accordingly, this ARA includes financial performance and position information for the entire year for:

- adult skills activities previously managed by the Department
- Skills England, CITB, ECITB and IfATE

The financial reporting impact of this MoG change was implemented on 1 April 2026 through the transfer by merger approach.

On 1 April 2026 LocatED closed and its activities, assets and liabilities were transferred to the Department.

Note 29.3 provides more details of all transfer values.

Operational structure

Operational units

The Group organises its strategic responsibilities and priorities into six operational units. Each unit had the following responsibilities during the year. As shown in Figure 1, all the Group's Agencies and NDPBs report through a business group. Individuals named as directors general are those in post at the year end. The Directors' report provides a list of all individuals who held director general posts in the year.

14 https://questions-statements.parliament.uk/written-statements/detail/2025-11-20/hcws1079

Figure 6: Summarised activities of the Department's operational units



Families Group

Director General: Gila Sacks

- giving children the Best Start in Life – including through early education, childcare and family services
- keeping children safe – at home, in school and in their community
- transforming children's social care
- working to strengthen partnerships with local authorities



Schools Group

Director General: Julia Kinniburgh

- policy and delivery in the school system, including delivering the schools white paper and driving high and rising standards in every school
- reforming the SEND system
- supporting recruitment, retention and training of teachers and school leaders
- ensuring a broad, knowledge-rich curriculum, high-quality qualifications and assessment
- building an inclusive, high-performing, collaborative school system



Skills Group

Interim Director General: Sinead O'Sullivan

- support young people to develop skills they and the country needs, with an increased share of young people participating in higher level training
- build a prestigious, specialist and high-quality further education system
- support a world-leading, flexible and sustainable higher education system
- delivering clear pathways to occupations that meet priority sectors and wider labour market needs



Operations and Infrastructure Group

Director General: Jane Cunliffe

- ensuring that the Department is innovative and effective via three core areas of work:
  - ensuring children and young people have high-quality learning environments
  - providing support for the Department, our sectors, partners and citizens
  - delivering corporate services including funding and financial oversight for the academy sector

Regions Group

Director General: Tim Coulson

- operational delivery of key opportunity ambitions
- supporting regional and local delivery of Best Start in Life, Every Child Achieving and Thriving and Keeping Children Safe priorities
- collaborating with schools, early years, SEND and CSC sectors
- providing universal and targeted support to eligible schools (RISE teams)
- facilitating knowledge sharing and innovation
- improvement and intervention across priority public services
- working to strengthen partnerships with local authorities

Strategy Group

Director General: Tony Foot

- strategy and delivery across the Department
- managing performance and risk
- providing high-quality analysis, communications, policy, resilience and private office services
- engaging with the public, our sectors and key partners
- leading across government on opportunity



Financial review of the year

Introduction

This section explains:

- the Group's spending for the year within the budgetary framework (outturn)
- different budgetary classifications
- significant variances between outturn and control totals
- five-year trend analysis of outturn
- significant issues

Financial reporting frameworks

The Financial Statements and parts of the Remuneration and Staff Report are prepared under International Financial Reporting Standards (IFRSs) as adapted and interpreted by HM Treasury (HMT) for the public sector context; and published in the Government Financial Reporting Manual (FReM).[15]

To support Parliamentary accountability, we also report our activities in SOPS, prepared under HMT's budgeting framework set out in Consolidated Budgeting Guidance (CBG).[16] The budgeting framework aligns to the Estimate process, through which Parliament authorises departmental funding.

Performance reporting

Our performance reporting focuses on outturn rather than actuals to align with Parliamentary reporting and to capture significant activities not reported through SoCNE. Figure 15 links the Performance Report to the Financial Statements by reconciling total outturn to comprehensive net expenditure. Additional analyses of outturn by operational unit and budget types are provided in Annex A.

Performance terminology

We use the following terms consistently throughout this ARA:

- actuals – activities reported under the accounting framework (Financial Statements)
- net expenditure – total of actuals as reported in SoCNE
- outturn – activities reported under the budgetary framework (SOPS and Performance Report)

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

- budget cover – the value of expected spending authorised by Parliament through the Estimate process (also called voted totals)
- budget scoring – allocation of spending to a budget class (for instance 'this spending is scored to RDEL' means recorded as RDEL outturn)

The lowest level of financial information presented in this ARA is the sub-consolidation of the core Department and its Agencies ('Department and Agencies'). The full consolidation ('Group') is the core Department and Agencies together with the NDPBs named above and in note 28.

Budget classifications

Total managed expenditure (TME)

The total amount spent by the Group under the budgetary framework, split into: Departmental Expenditure Limit and Annually Managed Expenditure.

Departmental Expenditure Limit (DEL)

Spending 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, split into resource and capital budgets.

Annually Managed Expenditure (AME)

Spending subject to budgets set by HMT, often volatile or demand-led, and split into resource and capital budgets. Most of the Group's AME expenditure comes from student loans.

Resource budgets

Capture current expenditure (including depreciation, which is the current cost associated with non-current assets), split between programme and administration budgets.

Programme budgets

Cover expenditure, including staff costs, on front-line services such as schools, colleges and social work.

Administration budgets

Comprise non-programme spending, which covers the running costs of the Group including non-front-line staff, buildings, depreciation and technology.

Capital budgets

Capture new investment and financial transactions, entirely programme related.

Resource DEL (RDEL)

Current expenditure split between programme and administrative expenditure. In accordance with CBG, part of the annual student loan fair value movement is reported under this budget type. More detail concerning student loan budgeting follows and in note 15.6.

Capital DEL (CDEL)

Spending on assets and investment such as education provider buildings and facilities.

Resource AME (RAME)

Covers part of the student loan annual fair value movement, provisions and resource costs of levy-funded bodies (CITB and ECITB).

Capital AME (CAME)

Covers student loan advances, repayments and capitalised interest, plus the capital cost of levy-funded bodies.

Ringfenced budgets

An HMT stipulated restriction whereby 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.

Restatement

This year we have recognised loan commitments arising from student loan arrangements agreed with borrowers before the year end but not fully drawn down at the year end. Loan commitments are disclosed (note 24) but do not have an impact on the Group's financial performance as presented in SoCNE or SOPS. Under IFRS 9 Financial Instruments (IFRS 9) where loan commitments are judged to be at below-market interest rates, financial liabilities are recognised in SoFP at their fair value. Management considers that where student loans are issued with an initial fair value loss they are issued at below-market interest rates. Consequently, loan commitment financial liabilities should have been recognised in previous years.

The non-recognition of both loan commitments and their associated financial liabilities is classed as an accounting error. The correction of the error results in prior years being restated through recognition of the loan commitment financial liabilities and the inclusion of an additional pre-comparative year in SoFP. Notes 2 and 24 have more information. HMT have confirmed that neither the loan commitment financial liabilities themselves nor the movement in their fair value score to budgets under existing guidance so outturn, TME and Estimate values are not impacted by the revised accounting treatment.

Student loan issues

During the preparation of these financial statements the following issues relating to student loan administration and accounting were identified. Brief summaries are provided below with links to fuller explanations in note 15.

Status of weekend courses

Under the Education (Student Support) Regulations 2011, weekend-only courses are classified as distance learning and attendees on these courses do not qualify for maintenance loans or most targeted grants, except in limited circumstances such as where distance learning is required due to disability. Further information is provided in our governance statement.

In April 2026, five universities began judicial review proceedings against the government. The hearing took place in July 2026 and the judgement handed in August 2026, refusing the claim and dismissing all four grounds of challenge.

Correct identification and accounting for overpayments

During the year the Department identified that it had been reporting overpayments of student loans as loans rather than overpayment receivables. Changes in circumstances of loan recipients can invalidate funding previously provided resulting in previously recognised student loans being de-recognised and new overpayment receivables being recognised.

The IFRS 9 accounting classification for loan overpayment receivables matches that for student loan assets. Both are classified as fair value through profit and loss (FVTPL) in accordance with IFRS 9. As such both student loan assets and loan overpayment receivables are carried at fair value (albeit with different valuation approaches), with a single movement in fair value per asset type passing through SoCNE (note 9).

Identifying the classification error did not change the amount borrowers owed to the Department. Instead, it changed how those balances were reported. Previously, the Department reported balances solely as student loans; the more appropriate classification is to report them as both student loans and overpayment receivables. At 31 March 2026 the correction covered 607,000 borrowers, whose circumstances had changed in a way that triggered recognition of a receivable.

Post-year end events

The following post-year end events have been identified. See note 29 for more information.

March 2026 RPI publication

In April 2026, ONS issued the March 2026 Retail Prices Index (RPI) (4.1%). The Department has judged the confirmation of RPI in place at the year end to be an adjusting event. Consequently, we have applied the March 2026 RPI in the valuation modelling.

Interest rate cap

In April 2026, the Secretary of State announced an interest rate cap of 6% for Plans 2 and 3 loans for one academic year (2026/27). The decision and announcement were made after the year end, so the Department considers the cap to be a non-adjusting event.

Plan 2 loans are charged interest at RPI plus up to a maximum of 3% depending on borrower circumstances. Without a cap, given March RPI was 4.1%, some borrowers would be charged up to 7.1% in 2026/27. The cap limits the interest rate applicable to 6%.

Recovery of weekend-only course grants

In July 2026, ministers confirmed the approach with respect to recovery of weekend-only course grant payments. The ministerial decision (not to recover) provided additional information to conditions that existed at the year end. Consequently, we consider this announcement to be an adjusting post-year end event.

OBR's October 2026 updated economic forecasts

In October 2026 OBR published their updated Economic and fiscal outlook (EFO)[17] alongside the 2026 Budget. The October 2026 EFO takes account of recent data and other developments, alongside government policies announced since OBR's previous forecast (March 2026) up to and including the budget. OBR note in the EFO's foreword that their work developing the EFO took place over the summer and early autumn 2026 using updated forecasts from various government departments.

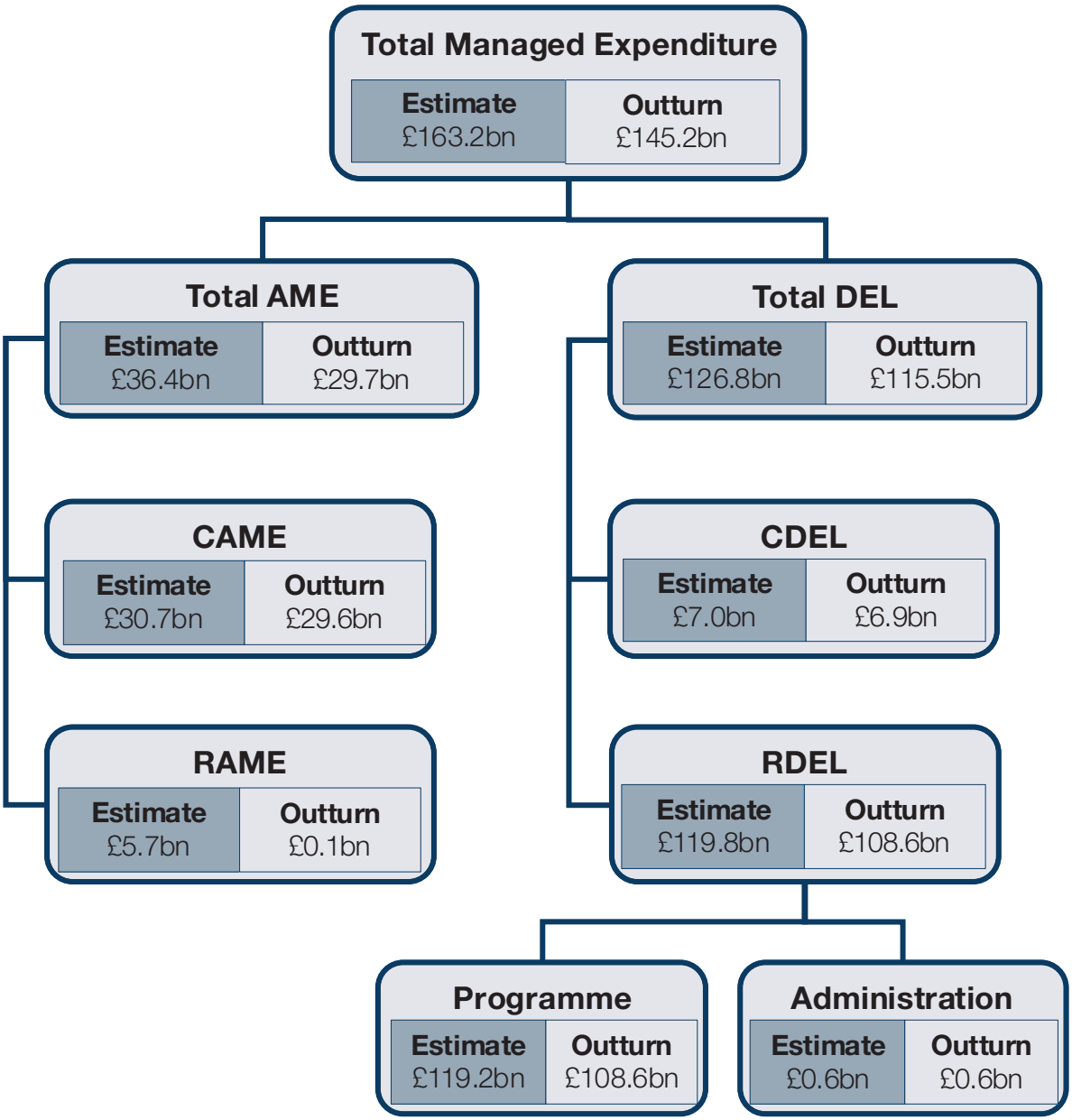
Management considers the October 2026 EFO to be a non-adjusting event. The October EFO is based on economic conditions (such as another energy price spike and rises in interest rate rates) and expectations taken after the year end.

17 https://www.gov.uk/government/publications/october-2026-economic-and-fiscal-outlook

Outturn spend

In this section we report and explain our performance under the budgeting framework and explain the different budgets managed by the Department across the Group and their purposes. The balances presented in Figure 7 are Estimate and outturn values for the year analysed across budget types, with values in brackets representing net income or gains.

Figure 7: Breakdown of current year's Estimate and outturn totals



Estimate to outturn comparison

The TME limit for the year, set through the Estimate process, was £163.2 billion (prior year: £152.9 billion) against which the Group spent £145.2 billion (prior year: £134.8 billion). Table 1 shows the Group's performance, for the last two years, against its control totals as agreed by Parliament at Supplementary Estimates.[18]

Table 1: Comparison of Estimate to outturn for the current and prior years

	2025-26			2024-25		
	Estimate	Outturn	Variance	Estimate	Outturn	Variance
	£m	£m	£m	£m	£m	£m
DEL	**126,819**	**115,489**	**11,330**	**118,390**	**107,724**	**10,666**
Resource						
Programme	119,217	108,029	11,188	112,096	101,575	10,521
Admin	607	561	46	577	547	30
Capital	6,995	6,899	96	5,717	5,602	115
AME	**36,343**	**29,722**	**6,621**	**34,483**	**27,089**	**7,394**
Resource	5,685	114	5,571	1,047	(3,818)	4,865
Capital	30,658	29,608	1,050	33,436	30,907	2,529
TME	**163,162**	**145,211**	**17,951**	**152,873**	**134,813**	**18,060**
Analysed as:						
non-student loan activities	109,007	108,338	669	95,162	94,961	201
student loans	54,155	36,873	17,282	57,711	39,852	17,859

The table summarises the detailed analysis of outturn to Estimate presented in the audited SOPS. SOPS is the primary element of Parliamentary accountability by comparing actual performance (outturn) with expected activities (Estimate) authorised through the Parliamentary voted totals (control totals) process.

This year's recognition of financial liabilities arising from student loan commitments (and the prior year restatement) has no impact on outturn and Estimate values shown above.

The majority of the underspends reported above are generated from student loans. As described in more detail below, calculating the student loan Estimate claim is inherently difficult and we adopt a cautious approach. Consequently, student loan underspends are less a result of underperformance and more a result of movements in the macroeconomic variables across the year.

At Supplementary Estimates, the Department secured a £30.0 billion increase (prior year: £18.9 billion increase) in authorised spending for the current financial year, following the Main Estimates at the start of the financial year. The increase primarily reflects the revised student finance forecasts and fair value movements, given the sensitivity of the loan book to macroeconomic conditions.

The main changes by budget category are:

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

- RDEL – a £19.2 billion increase, which included £19.1 billion for student loan fair value movements (prior year: £17.8 billion increase which contained a £15.2 billion student loan increase)
- RAME – a £9.7 billion increase (prior year: £4.0 billion increase), which covered:
  - £4.0 billion for the costs of unwinding the discount applied to value student loans (prior year: £4.0 billion discount unwind)
  - a £5.6 billion increase for the high needs stability grant provision recognised in relation to the expected settlement of local authority Dedicated Schools Grant (DSG) deficits next financial year
- CDEL – a £217 million increase, largely reflecting reclassification of budgets from RDEL to CDEL following the budgetary reclassification of risk protection arrangement (RPA) expenditure following the implementation of IFRS 17 Insurance Contracts (IFRS 17) (prior year: £378 million decrease)
- CAME – a £0.9 billion increase, of which student loan changes amounted to £0.9 billion (prior year: £2.5 billion decrease, of which £2.4 billion for student loans)

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

Student loan reporting

Calculating student loan valuations for accounting (note 15) and Estimate claims is inherently difficult. Student loans differ from commercial loan portfolios because borrowers do not make fixed monthly contractual repayments. Instead, repayments depend on each borrower's earnings and loan plan, making them sensitive to economic conditions such as employment levels, RPI and salary growth. The values for these variables applied for the year end outturn calculation, which are required by the valuation models, are unknown during the Mains or Supplementary Estimate claims process.

The size of the student loan portfolio (£293.2 billion face value, note 15.1) adds further complexity. The valuation models apply inputs and assumptions to the face value of the student loan balances to calculate the carrying values. Since the portfolio is large, small changes in model inputs can cause significant changes in carrying values. As a result, small differences between model inputs forecast at Supplementary Estimates and actual year end values can generate very large variances. Note 15.5 explains the sensitivity of the valuation to model inputs, note 9 records the annual movement in fair value, note 1.3.6 estimation uncertainty and Annex C (unaudited) provides additional analysis by plan type.

Consequently, the Department is prudent when it prepares its Supplementary Estimates claim, requesting budget cover based on reasonable expectations rather than worst-case scenarios.

Student loan outturn reporting is further complicated because student loan performance scores to multiple budget categories, even though the accounts recognise a single fair value

movement. HMT requires additional analysis of the fair value movement to support fiscal reporting, as set out in CBG.

In general terms, the single accounting performance measure (fair value gain or loss) 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
  - release of any deferred initial fair value gain
  - the impact of capitalised interest
  - differences in student loan issuance between models in the student loan pipeline arising from assumptions on when cashflows occur
- RDEL – the remaining fair value movement

Note 15 provides analysis of the student loan outturn split by net advances, the initial fair value gain or loss and the year end fair value gain or loss.

Variances discussion

Further explanation of large pre-virement variances of Estimate to outturn is included in the Trends in TME section. The variances discussed have been identified from SOPS notes S1.1 and S1.2 which are those variances over £1 billion or over 10% of Estimate value and over £250 million, across the different Estimate rows.

Within the Department's revenue grants to academies (Estimate row K), activity is lower than the Estimate which is largely offset by higher spend than budget in further education (Estimate row M). This is due to the split of funding for 16 to 19 education between sixth-form academy colleges (Estimate row K) and further education colleges (row M) differing from the budget allocated at the Supplementary Estimate.

The main driver of the variance in higher education (Estimate row L) and higher education AME (Estimate row R, and both RAME and CAME) is the outturn in respect of student loan funding. As part of the Estimates process, the budget required to cover the annual revaluation of the student loan book is highly variable and therefore includes an element of contingency against changes in economic variables before the end of the financial year which are not always fully utilised.

Trends in TME

The following table and figures present five-year summaries of the Group's outturn, by budget type. The table and figures are summarised versions of the tables presented in Annex D. However, this year the values in Table 2 do not match those given in Annex D following the adult skills transfer of function. HMT have instructed the Department and DWP to restate their

regulatory tables to reflect the transfer of function. Consequently, the two sets of tables will not match.

In recognition of the impact of student loans, the Group's financial performance presented below is split between non-student loan activities and student loans. Student loans are judged to be the loans themselves and include balances such as loan advances, repayments and fair value movements. Note 15.6 provides a breakdown of activities and budget types. Non-student loan activities represent all other Group activities, which includes:

- student funding overpayment receivables (grants and loans) and associated costs
- costs incurred by the team managing student loans, such as payroll and debt sale liabilities

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

	2025-26	2024-25	2023-24	2022-23	2021-22
Type of spend	Outturn	Outturn	Outturn	Outturn	Outturn
	£m	£m	£m	£m	£m
DEL					
Administration	**561**	**547**	**530**	**546**	**540**
non-student loan activities	561	547	530	546	540
student loans	–	–	–	–	–
Programme	**108,029**	**101,575**	**87,097**	**66,609**	**72,406**
non-student loan activities	95,129	88,801	81,180	76,000	70,759
student loans	12,900	12,774	5,917	(9,391)	1,647
Capital	**6,899**	**5,602**	**6,637**	**5,948**	**4,798**
non-student loan activities	6,899	5,602	6,637	5,948	4,798
student loans	–	–	–	–	–
Total DEL	**115,489**	**107,724**	**94,264**	**73,103**	**77,744**
non-student loan activities	102,589	94,950	88,347	82,494	76,097
student loans	12,900	12,774	5,917	(9,391)	1,647
AME					
Resource	**114**	**(3,818)**	**(3,327)**	**(14,314)**	**(5,180)**
non-student loan activities	5,741	1	(9)	84	12
student loans	(5,627)	(3,819)	(3,318)	(14,398)	(5,192)
Capital	**29,608**	**30,907**	**30,913**	**24,828**	**21,863**
non-student loan activities	8	10	7	3	(4)
student loans	29,600	30,897	30,906	24,825	21,867
Total AME	**29,722**	**27,089**	**27,586**	**10,514**	**16,683**
non-student loan activities	5,749	11	(2)	87	8
student loans	23,973	27,078	27,588	10,427	16,675
TME	**145,211**	**134,813**	**121,850**	**83,617**	**94,427**
non-student loan activities	108,338	94,961	88,345	82,581	76,105
student loans	36,873	39,852	33,505	1,036	18,322

The following two figures present five-year trend analysis split by non-student loan activities and student loans. The main movement in the Group's annual TME across the five years has been movements in student loan performance, notably the fair value losses (or gain in 2022-23 visible in Figure 9) which are reported in RAME and RDEL-Programme. Non-student loan activities have shown a steady year-on-year increase across the five years.

Figure 8: TME for non-student loan activities analysed across budget types for the last five years

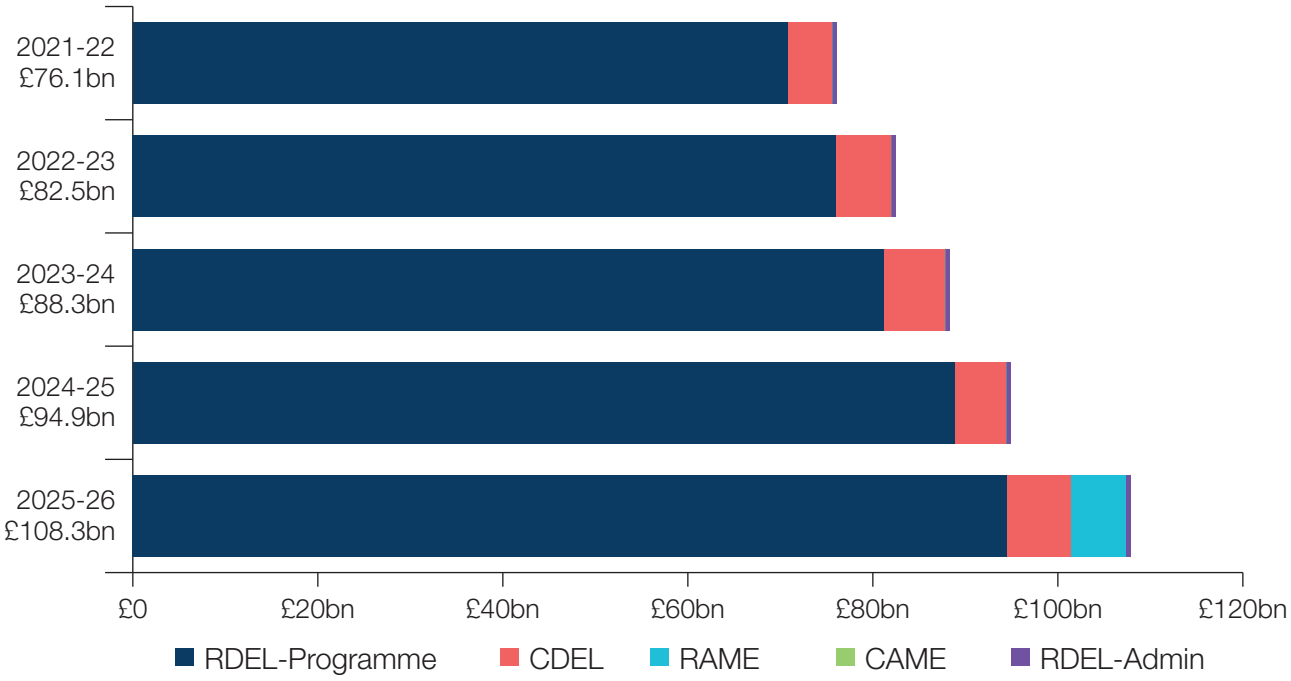
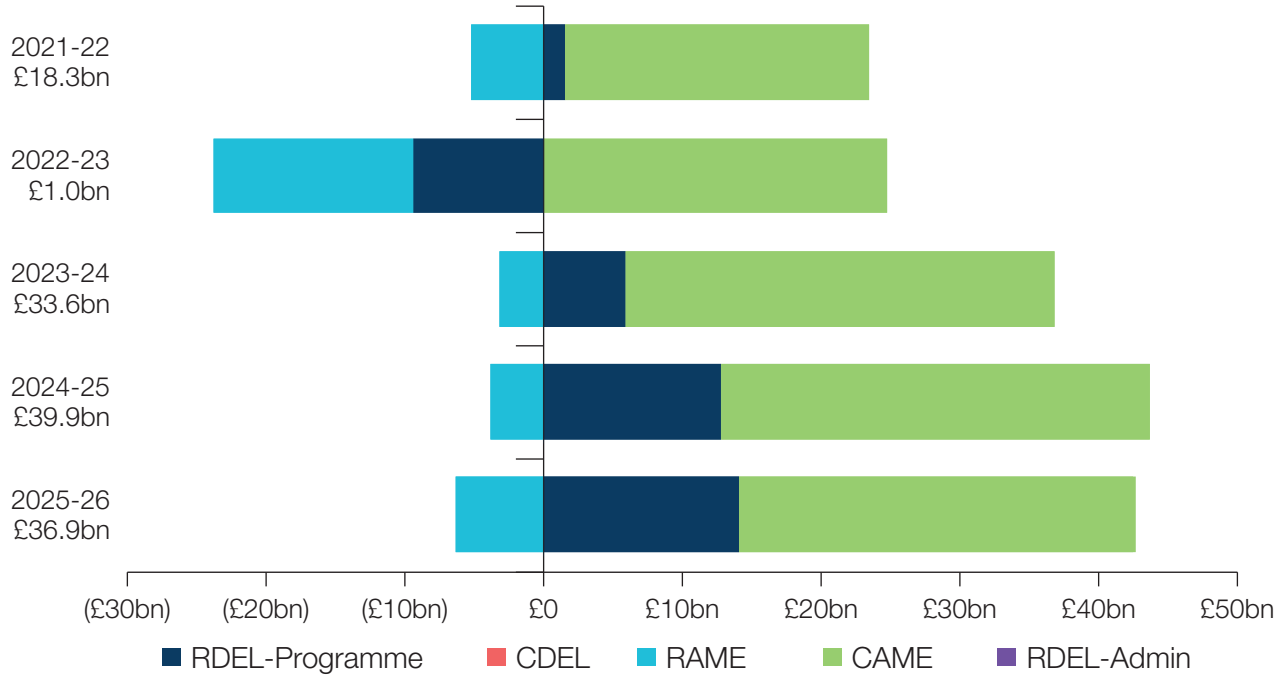


Figure 9: TME for student loans analysed across budget types for the last five years

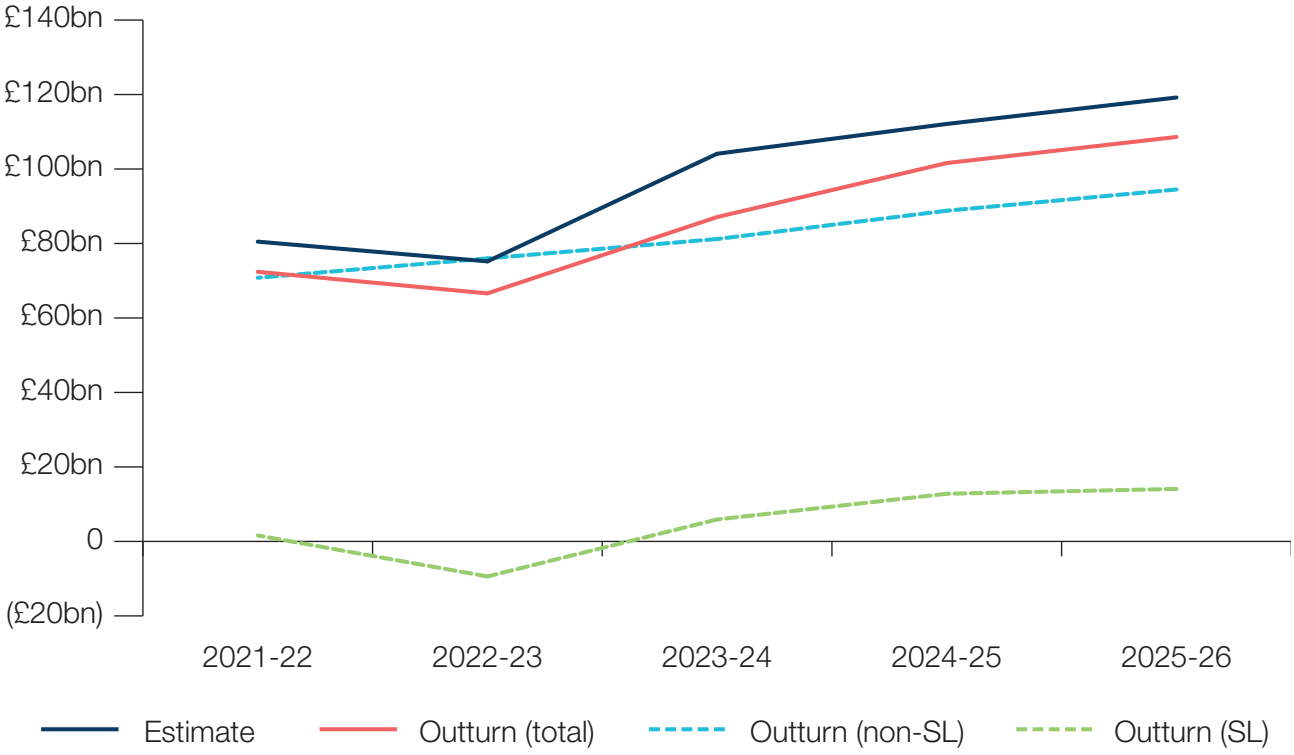


Annex A provides additional analysis of performance analysed across operational units, budget types and the split between non-student loan activity and student loans.

Resource DEL-Programme

Figure 10 compares Estimate to outturn for RDEL-Programme over the past five years. Outturn values are split between non-student loan activities (non-SL) and student loans (SL).

Figure 10: RDEL–Programme Estimate to outturn comparison for the last five years



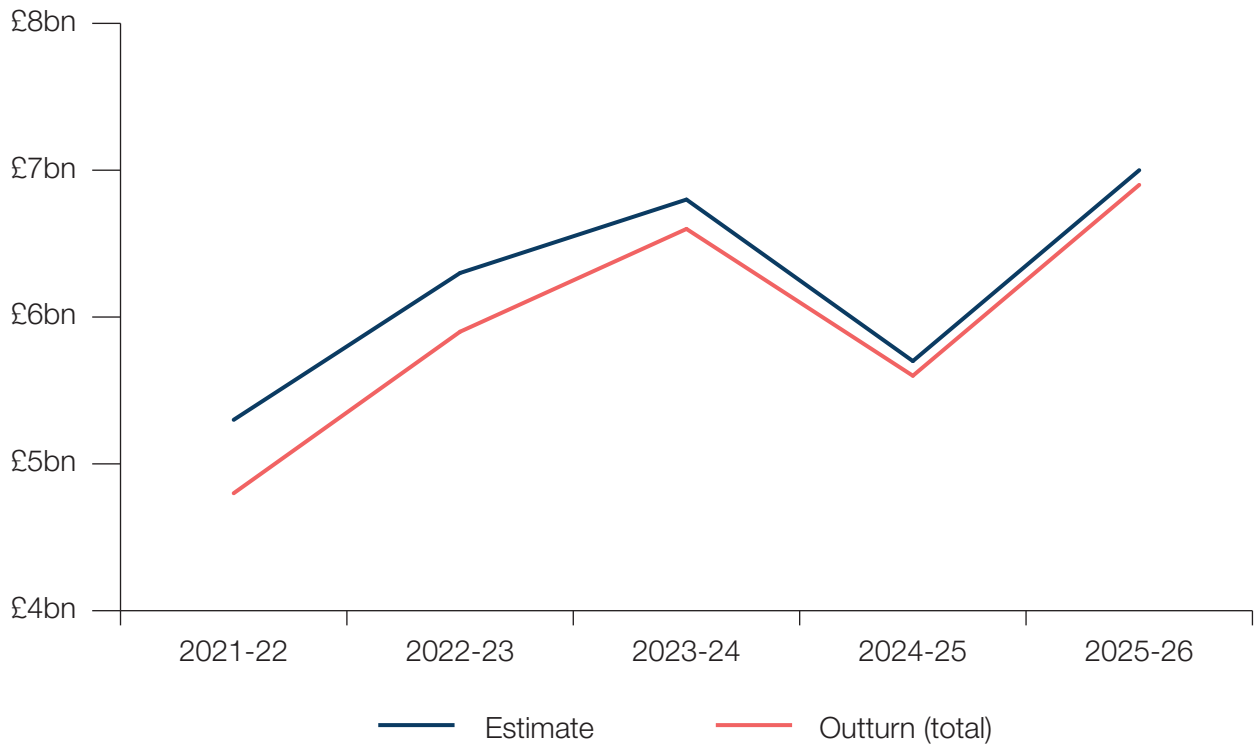
The overall increase in spend over the 5-year period reflects the investment in the Department's priorities with significant increases in the core schools budget and the expansion of entitlement to early years funding from September 2025 to 30 hours for eligible children aged 9 months and over. The current year variance between Estimate and outturn is £11.2 billion, of which £10.1 billion relates to student loans.

The student loan variance is driven by fair value loss. As mentioned previously, the Department builds into its Estimate claim a contingency to reflect the difficulties of forecasting the year end position ahead of knowing what the year end valuation model inputs are.

Capital DEL

Figure 11 compares Estimate to outturn for CDEL over the past five years. Since there is no CDEL spend on student loans, outturn represents non-student loan activities – predominantly costs of investment in the education estate, including delivering school and college rebuilding projects.

Figure 11: CDEL Estimate to outturn comparison for the last five years



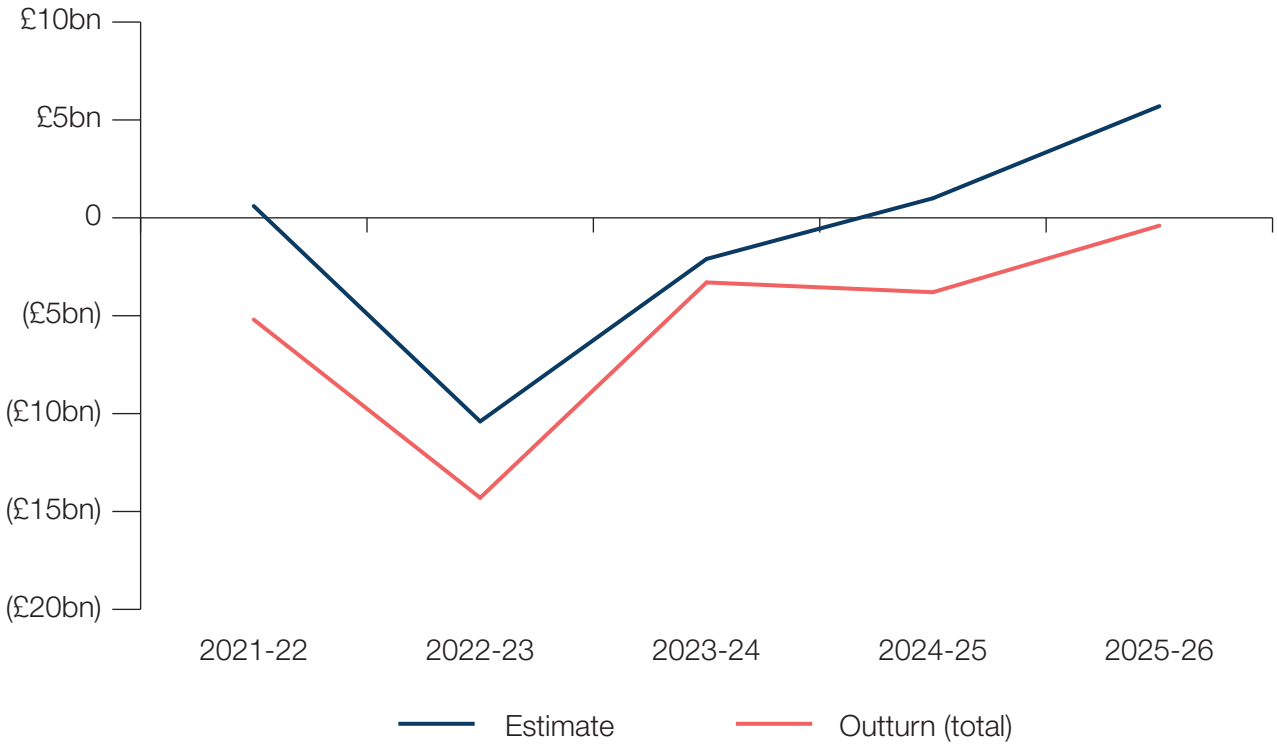
CDEL Estimate cover this year has increased by £1.3 billion to £7.0 billion, with most of the increase found in the other school funding and grants to local authorities – schools and early years Estimate rows (together a £1.3 billion increase). The increase in Estimate cover since last year, reflects the increase in activities set out at Spending Review 2025.

Capital budgets are set based on agreed programmes with budgets set to improve the condition of school and college buildings, on top of targeted support for reinforced autoclaved aerated concrete (RAAC) and funding for the school rebuilding programme and wider skills investments. Alongside this, the budget increased partway through the year following the reclassification of RPA spend in line with the implementation of IFRS 17.

Resource AME

Figure 12 compares Estimate to outturn for RAME over the past five years. In prior years there was no significant RAME spend on non-student loan activities. However, this year a large non-student loan provision for the high needs stability grant was recognised. RAME outturn for student loans represents part of the fair value movement (see note 15 for more information).

Figure 12: RAME Estimate to outturn comparison for the last five years



The increase in Estimate from last year (£5.7 billion from £1.0 billion) is attributable to the high needs stability grant (£5.6 billion) recognised in advance of expected payment of the high needs stability grant in autumn 2026. Student loan Estimate cover fell from last year's £1 billion cost to a benefit of £42 million. The current year variance between Estimate and outturn was a £5.6 billion underspend.

The non-student loan variance was an overspend of £70 million, the large new provision recognised this year was included in the Estimate so avoiding a large variance.

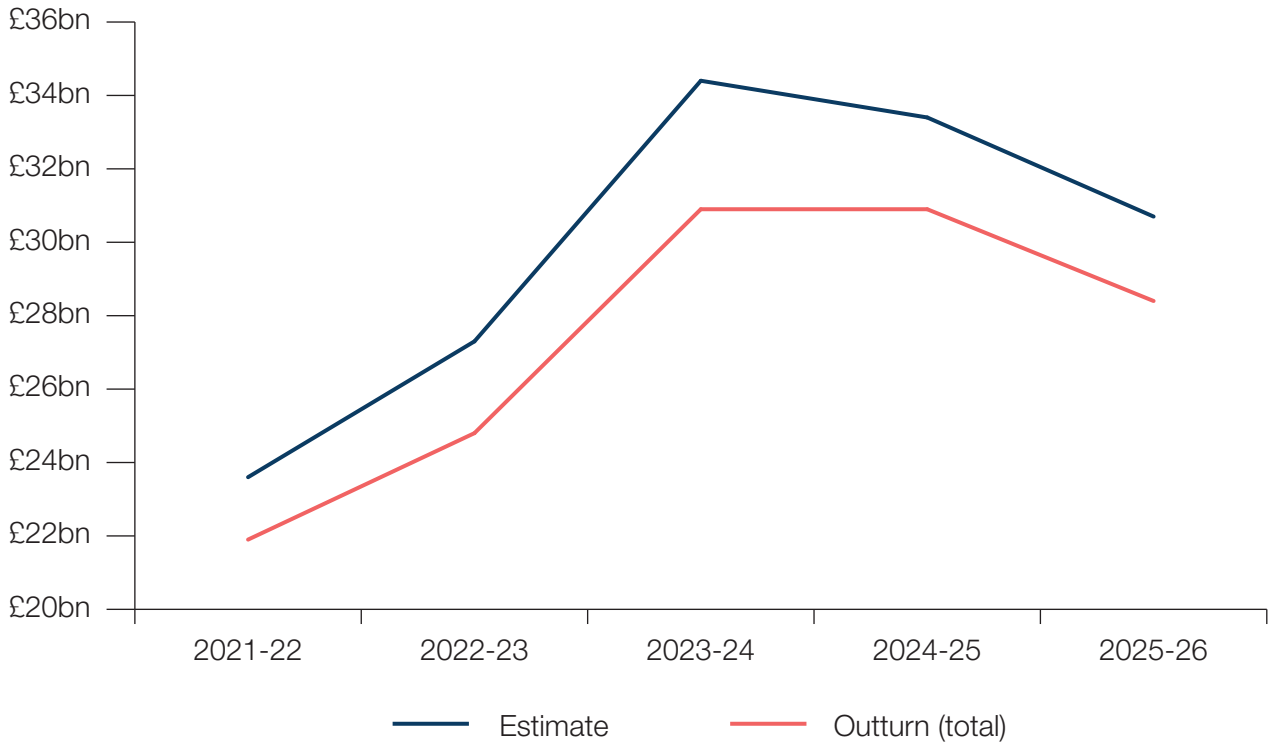
The student loan variance against Estimate was an underspend of £5.6 billion, which is primarily driven by differences in the expected fair values (including the reverse of the capitalised interest) used to support Estimates and the final year end values.

For our student loan budgets, the Department includes some contingency by modelling spending in scenarios in which the key risks to our forecasts crystallise. This request does not cover the Department for a worst-case scenario; we only consider realistic changes in economic conditions. The student loan budget includes contingency for changes in RPI and therefore our underspend relates to that risk not crystalising.

Capital AME

Figure 13 compares Estimate to outturn for CAME over the past five years. There is no significant CAME spend on non-student loan activities, so outturn represents student loan outturn – net student loan lending (cash advances, repayments and capitalised interest).

Figure 13: CAME Estimate to outturn comparison for the last five years



Estimate cover fell slightly from last year (£33.4 billion to £30.7 billion) which was mostly driven by a decrease in cover sought for student loans which fell £2.7 billion. The current variance between Estimates and outturn was a £1.1 billion underspend.

The CAME outturn is largely driven by student loan net additions (new loans, loan repayments and capitalised interest). The underspend generated by student loan net additions was £1.0 billion, of which £2.18 billion was capitalised interest being lower than forecast at Estimates.

When agreeing the annual budget, the level of contingency is reviewed against underlying forecast volatility and there is therefore an element of this budget that has not been used because outturn has been more in line with central expectations.

Resource DEL-Admin

Figure 14 compares Estimate to outturn for RDEL-Admin over the past five years. There is no RDEL-Admin spend on student loans.

Figure 14: RDEL–Admin Estimate to outturn comparison for the last five years



The budget covers all Departmental running costs, including policy and delivery staff, estates IT and corporate services. The above figure shows the Group has managed its budget effectively this year, keeping actual spending within the allocated Estimate.

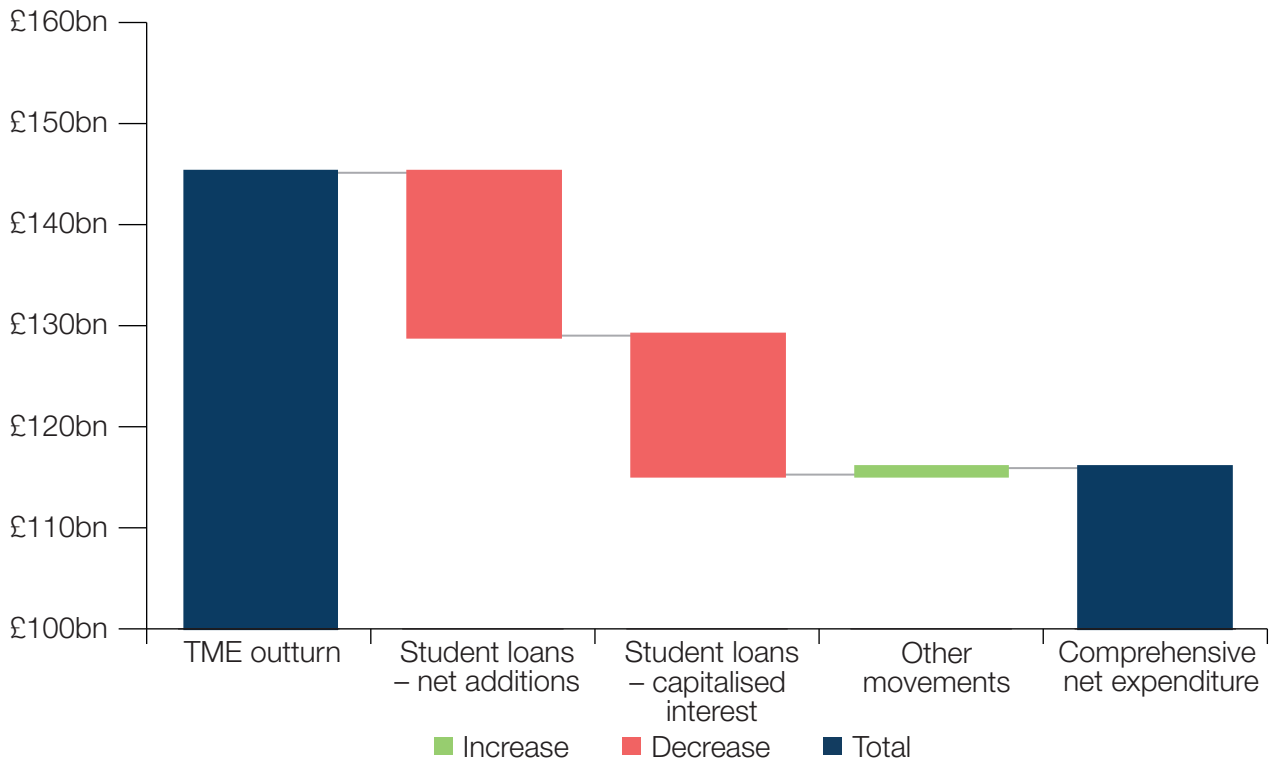
Reconciliation of TME to comprehensive net expenditure

Figure 15 shows a high-level reconciliation of the Group's activities between TME (SOPS) and net expenditure for the year (SoCNE). TME includes all budget reported-spend, including values that are recognised in SoFP rather than SoCNE. The most significant element of the reconciliation is student loan movements. Note 15 and Annex C (unaudited) provide more information on student loans.

There are three types of reconciling items:

- spend that is recognised in SoFP which needs to be removed from TME to align activities to SoCNE, including student loan net additions and loan commitment financial liabilities
- to partially remove activities that score to different budget types from both SoCNE and SoFP accounting entries to allow for the single recognition in SoCNE; which includes student loan capitalised interest that is reported in both SoCNE (part of fair value movement) and SoFP (asset values)
- to add back activities that create SoCNE entries but do not score to budgets (and so TME), such as fair value movements of loan commitment financial liabilities

Figure 15: Reconciliation of TME (£145.2 billion) to comprehensive net expenditure (£116.0 billion) for the current year



Net expenditure

Figure 16 shows the Group's net expenditure for the year analysed across the main expense types as presented in SoCNE. Resource policy funding has been further analysed across business groups.

The following figures then break down the three largest resource policy funding business groups' performance by significant programme component as set out in note 7.

Figure 16: Breakdown of the Group's current year comprehensive net expenditure as per SoCNE (£116.0 billion)

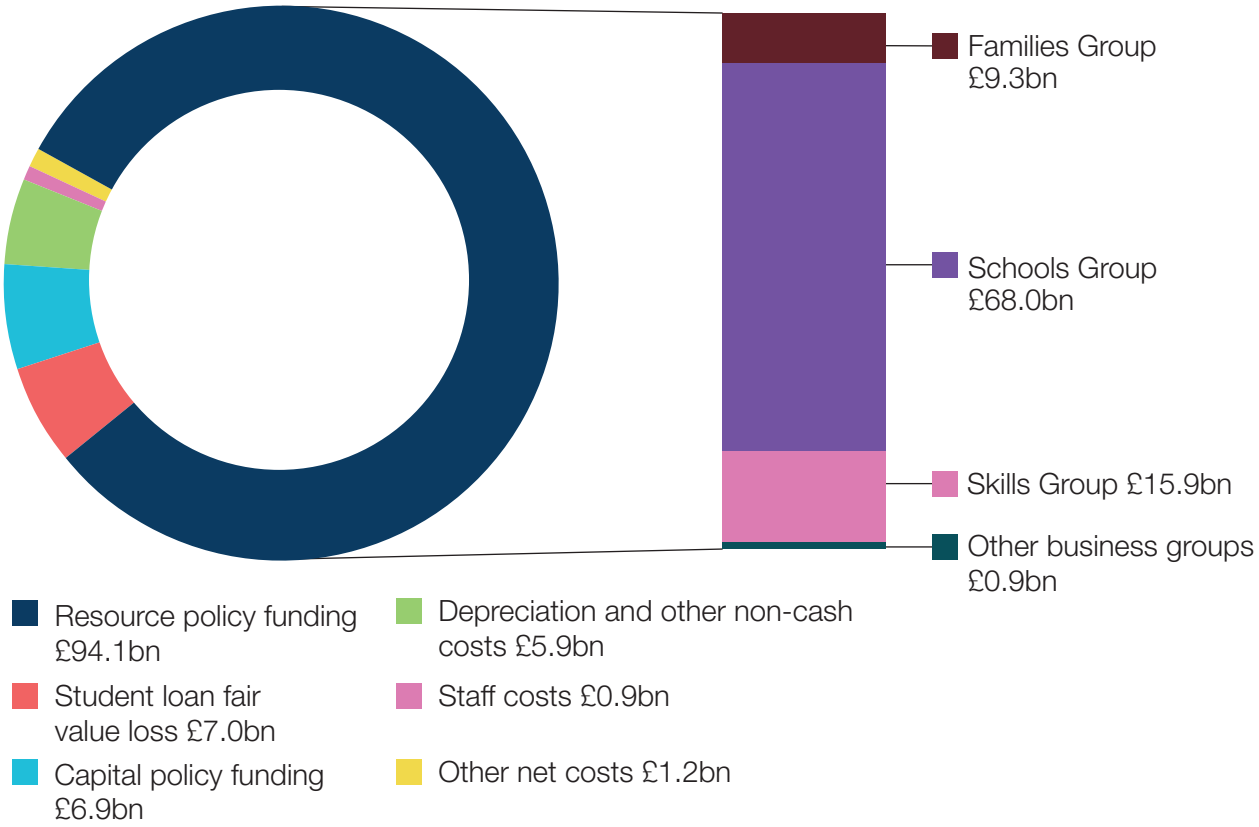


Figure 17: Breakdown of Families Group's resource policy funding (£9.3 billion) by major programme

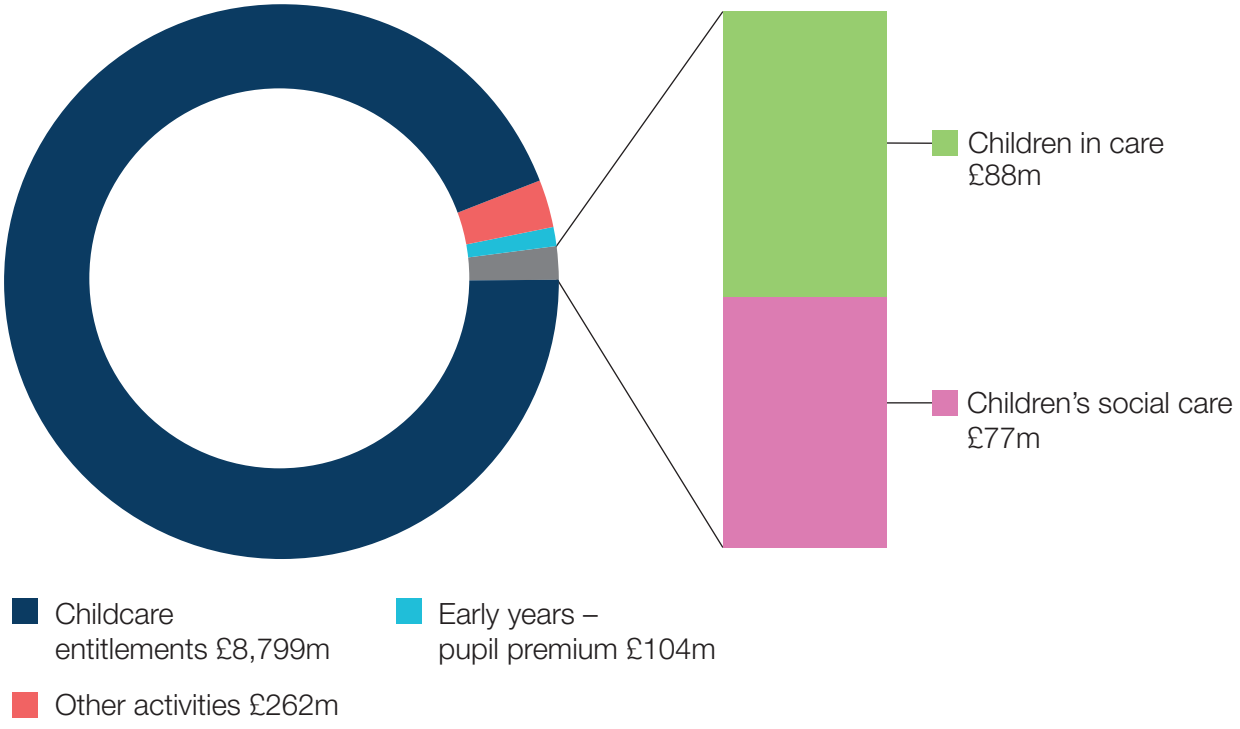


Figure 18: Breakdown of Schools Group's resource policy funding (£68.0 billion) by major programme

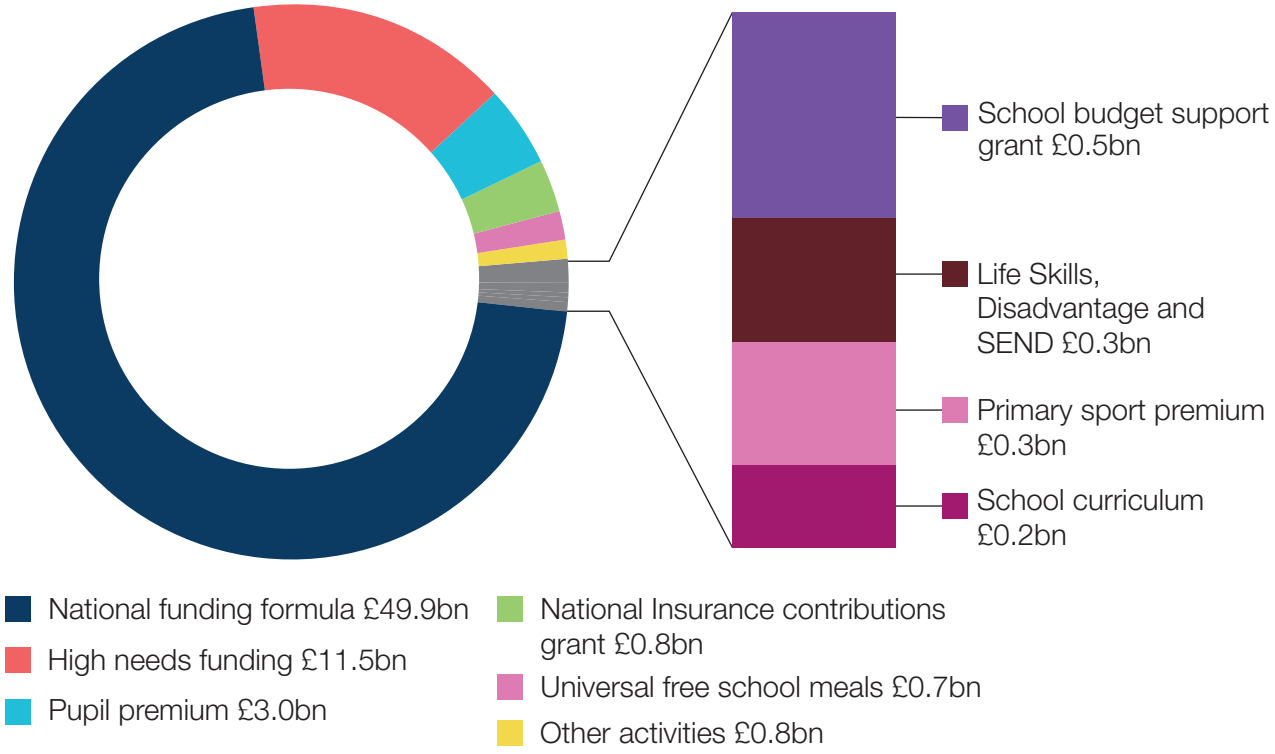
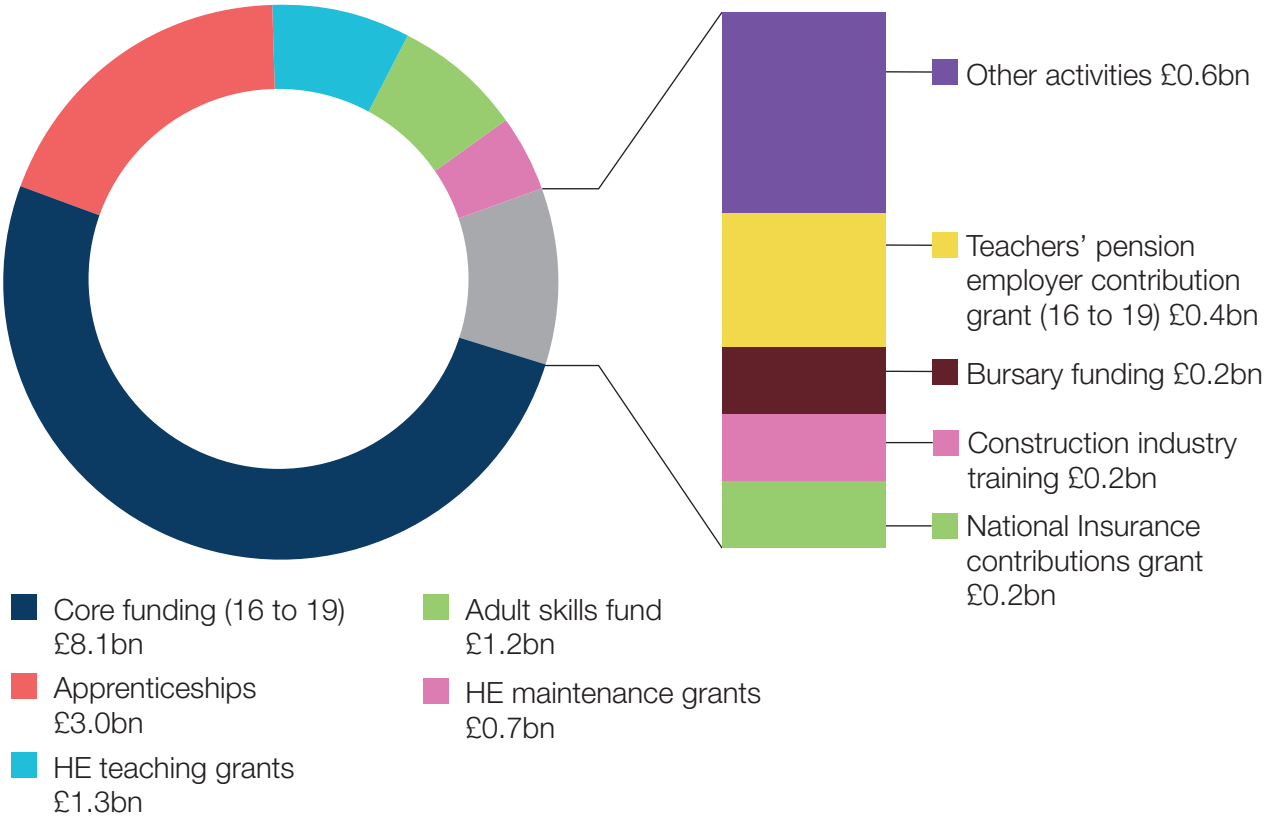


Figure 19: Breakdown of Skills Group's resource policy funding (£15.9 billion) by major programme



Performance analysis

This section provides a detailed account of the Group's performance against its strategic objectives, expanding on the summary provided in Our performance at a glance.

Performance

Each strategic objective is supported by defined sub-objectives and activities, with ownership assigned to senior leaders across the Group. Progress is measured against agreed key performance indicators, and performance is tracked through internal dashboards and external reporting mechanisms.





Pillar 1: Best start in life

Senior responsible officer: Gila Sacks, DG Families Group

Priority outcome

Strengthen early education, local services and home environment to significantly improve child development at age 5 and reduce the disadvantage gap.

Outcome	Year end performance
75% of children aged 5 achieving a good level of development by 2028.	68.3% (up 0.6ppts from 2024)

Improved access to early education

We expanded early years entitlements, including completing the rollout of 30 hours funded childcare per week for eligible working parents of children aged 9 months plus.

We are building and expanding nurseries in schools, providing funding to over 600 primary and maintained nursery schools which will create over 11,000 new nursery places by September 2027, of which schools reported over 5,000 places were available from September 2025.

Key milestones and outputs

- We awarded £37 million of funding to 300 schools to create up to 6,000 new school-based nurseries places, through phase one of the school-based nursery programme. The first wave of school-based nurseries began opening, with schools reporting over 5,000 additional places from September 2025.
- We launched phase two of the school-based nursery roll-out, with £45 million of funding awarded to deliver 331 additional new or expanded school-based nurseries, creating over 6,000 new places from September 2026.
- We completed the final stage of the childcare entitlement expansion, rolling out 30 hours of funded childcare per week for eligible working parents of children aged 9 months and over, saving parents on average of £8,000 per year.

Metrics (all as at March 2026)

- active users (per published data[19]) of the working parent entitlement offer rose to 546,000 (March 2025: 489,321)
- the percentage of new users validated was 94% (March 2025: 85%)
- no local authorities were reporting that they were unable to meet their sufficiency duty for that term
- 266 school-based nurseries announced in phase 1 are now operational (based on school-reported data), with the remaining due to open by March 2027

Improved quality of early years education

Reception year was made a priority for our RISE teams, meaning all schools will receive support to improve teaching. Support includes access to training, building on the regional RISE reception quality conferences held in summer 2025 for senior leaders in education.

Online training[20] was made available to all schools through webinars covering similar topics to the conferences, with an additional session on early mathematics.

Schools now have access to improved data and analysis on children's development outcomes at the end of reception through the new compare your Good Level of Development (GLD)[21] data.

We published new support and guidance to help reception teachers carry out the early years foundation stage profile assessment with greater confidence and consistency, making the process more reliable and giving parents a clearer picture of their child's development.

We announced 45 lead schools to run new reception networks, giving schools a simple, collaborative route to access and share strong reception practice.

Following the largest ever uplift to EYPP, we increased the rate again to up to £655 per child from April 2026. From 2026, we are also providing additional funding in the areas of greatest need to test how EYPP can have the greatest impact, with the Education Endowment Foundation evaluating the results.

Early years stronger practice hubs provide funded support, advice and evidence-informed professional development to improve quality across settings through local networks and shared good practice. As part of the Best Start in Life strategy, a commitment was made to double the number of hubs and are appointing 18 more to extend this support.

The Department strongly encourages schools to include an early language offer in their provision. In the Best Start in Life strategy, we committed to ensuring that every reception class can access fully funded programmes such as the Nuffield Early Language Intervention (NELI), which helps children build strong speech and language skills.

19 https://explore-education-statistics.service.gov.uk/find-statistics/expansion-to-early-childcare-entitlements-eligibility-codes-issued-and-validated/2026-march
20 https://www.gov.uk/government/case-studies/reception-quality-webinar-series-autumn-2025
21 https://www.gov.uk/guidance/compare-your-good-level-of-development-gld-data

We announced that support for NELI programme would continue until the end of 2028/29, subject to future spending reviews, giving schools the confidence to plan ahead and embed into their school improvement plans.

Building on the success of the accelerator fund, which has already supported 1,200 settings, we are continuing to work with the Education Endowment Foundation to expand National Day Nurseries Association's evidence-based mathematics champions programme to up to 1,800 more nurseries across England.

Key milestones and outputs

- 15% EYPP uplift starts
- reception quality launched as RISE national priority
- nine regional RISE reception quality conferences
- NELI LanguageScreen activity commenced for 2025/26
- GLD reports published with 2023/24 and 2024/25 data
- reception offer website launched
- RISE reception quality webinars
- delivery of NELI small-group intervention began for 2025/26
- new reception content, including six new videos, added to the online early years child development training
- early years foundation stage profile assessment support published
- reception networks lead schools appointed

Metrics

- by March 2025, 10,644 of the 11,164 schools registered with NELI remain registered and an estimated 267,000 children[22] have benefitted from the programme
- by March 2025, 9,726 early education settings had joined a stronger practice hubs since the programme launched in November 2022
- following launch in September 2025, 31.1% of schools downloaded their latest GLD reports

Stronger and joined up family services to support child development

We invested £69 million to continue delivery of the DfE-DHSC Family Hubs and Start for Life programme across 75 local authorities and the Department-only funded family hubs transformation fund across a further 13. In total, 88 local authorities continued to receive funding, and by September 2025, there were 675 family hubs open across those areas.

In July 2025, the government announced that from April 2026, all local authorities would be funded as part of the expanded BSFHs programme. Building on Sure Start, Family Hubs and

22 https://explore-education-statistics.service.gov.uk/find-statistics/early-years-education-recovery/2025-july#section-nuffield-early-language-intervention-neli

Start for Life this will create a more joined-up system that reaches families earlier, meets them where they are and supports a whole-family approach.[23]

In October 2025, we allocated a further £12 million to the 65 local authorities that were not already receiving family hubs funding, to support essential preparatory work ahead of the national BSFHs rollout in April 2026. This built capacity to prepare for delivering the programme, supporting the government's target that 75% of 5-year-olds will reach a GLD by 2028, improving children's school readiness.

In December 2025 and March 2026, we published guidance to help local authorities prepare for expanded family service delivery from April 2026. The guidance set out the infrastructure underpinning the evolved BSFHs and Healthy Babies programme, the core services hubs should deliver, identifying sites for hub and branding requirements, and explained how best start local plans should be developed and how they fit alongside neighbourhood health plans.

Key milestones and outputs

- shared provisional 2026-29 funding allocations with all 153 local authorities
- confirmed national expansion of Departmental funding to all local authorities from April 2026 and that a development grant would be paid to 65 local authorities in the year
- paid the BSFHs development grant to the 65 local authorities
- published Best Start Family Hubs and Healthy Babies guidance,[24] together with service expectations
- conducted readiness checks across all local authorities to ensure they were ready to open at least one BSFH in which to deliver services from, from April; all local authorities reported there would be at least one

Metrics

- by September 2025:
  - 675 family hubs were open across the 88 funded local authorities
  - 46% of family hubs in the Family Hubs Transformation Fund were in the 30% most deprived local areas (43 of 94)
  - 76% of family hubs in the Family Hubs and Start for Life programme were in the 30% most deprived local areas (440 of 581)
- at March 2026, 143 best start local plans have been published

23 To note: In the 2024-25 ARA, it says: "89% of participating local authorities have met the programme's minimum expectation and we are working with the remainder to support them to meet expectations." This should say "89% of participating local authorities reported that they were on track to meet the programme's minimum expectations by the end of March 2025 and we are working with the remainder to support them to meet expectations".

24 https://www.gov.uk/government/publications/best-start-family-hubs-and-healthy-babies-guidance-for-local-authorities



Pillar 2: Every child achieving and thriving

Senior responsible officer: Julia Kinniburgh, DG Schools Group

Priority outcome

High and rising standards for all children and young people, particularly the most disadvantaged, ensuring they have the knowledge, skills and support to achieve and thrive.

Outcome	Year end performance
Raise the national average attainment 8 (A8) score above 50.	46.0 (up 0.1 from 2024)
Halve the disadvantage gap in average attainment 8 score between disadvantaged and non-disadvantaged pupils.	Disadvantaged A8: 34.9 (up 0.3 from 2024) Gap – 15.5 (up 0.1 from 2024)
Highest proportion of pupils reaching the expected standard at the end of key stage 2 by 2028/29 (above 64.9%, the peak in 2018/19).	62% (up 1.6ppts from 2024)
Highest proportion of disadvantaged pupils reaching the expected standard at the end of key stage 2 by 2028/29 (above 51.3%, the peak in 2018/19).	47% (up 1ppt from 2024)
Raise the attendance rate by 1.3 percentage points (ppts) compared to 2023/24, to over 94% – equivalent to children attending 20 million more days of school each year from 2028/29.	In 2024/25, children attended school for 4.38 million more days
90% of children meeting the expected standard in the year 1 phonics screening check by 2028/29.	80% (unchanged from 2024)

Our children's futures

All children should enjoy a childhood rich in opportunity. We are focused on wrapping adaptable and responsive services around children and families, addressing barriers and strengthening collaboration across all local services.

Throughout 2025 we worked to address barriers to learning, strengthening our support for children's wellbeing, heath and attainment.

NHS-funded Mental Health Support Teams (MHSTs) continued to expand and in the first year of delivery free breakfast clubs have served over 8.5 million in more than 750 schools across the country.

The Wraparound Childcare programme also supported local authorities to expand access to before- and after-school childcare for parents who need it. The programme closed in March 2026, having delivered over 105,000 childcare places nationwide.

Alongside this, we also announced an extension for free school meals from the 2026 school year, and the creation of a new model of local partnership and shared accountability for children's outcomes across local communities.

Key milestones and outputs

- April 2025: launched early adopter test and learn phase of the free breakfast clubs programme, offering places to nearly 180,000 children
- June 2025: announced new entitlement to free school meals for all pupils in households in receipt of Universal Credit from 2026/27
- March 2026: 60% of pupils in schools and learners in further education (including 79% of pupils in state-funded secondary schools) were covered by an MHST, up from 52% in April 2025

Ensuring all children have a broad educational experience

We are taking children's experience of education from narrow to broad, delivering a knowledge-rich, innovative and inclusive curriculum, smoothing transitions between phases of education and providing greater access to enrichment opportunities.

Following the publication of the independent curriculum and assessment review and the government's formal response in November 2025, we are taking forward and building on the recommendation to ensure all children are supported and stretched. This includes setting out a clear expectation for a core enrichment offer that every school and college should provide, extending learning beyond the classroom.

We are also driving a renewed national focus on literacy and numeracy. The National Year of Reading, launched in January 2026, is addressing the decline in reading enjoyment and supporting improved attainment, alongside targeted initiatives such as the national numeracy life skills package.

Key milestones and outputs

- November 2025: set out the government's formal response to curriculum and assessment review
- January 2026: launch of the National Year of Reading, a UK-wide campaign. To support delivery, we have awarded £1.2 million in grant funding to the National Literacy Trust, split equally across 2025-26 and 2026-27

Ensuring all children and young people are included

We want all schools to be a place where every child is included, where they are supported and challenged to achieve and thrive, regardless of their needs or background.

The SEND reform: putting children and young people first[25] consultation outlined our plans to embed inclusion within mainstream education, introduce targeted support offers, and establish specialist provision packages for children and young people with more complex needs. This is underpinned by £4 billion of investment over three years, alongside £3.7 billion of capital funding to improve accessibility, expand specialist places and establish inclusion bases in mainstream schools.

To support improved outcomes for disadvantaged pupils £3 billion in pupil premium funding was allocated to state-funded schools in England in 2025-26. We have also announced plans to develop and test a new model for targeting disadvantage funding to help schools narrow the disadvantage attainment gap.

Key milestones and outputs

- December 2025: announcement of over £3 billion capital funding to 2030 to make buildings accessible, create new special school and alternative provision places, and new inclusion bases in mainstream settings[26]
- January 2026:
  - SEND and alternative provision change programme interim evaluation
  - early language support for every child interim evaluation
  - announcement of over £200 million funding for SEND continuing professional development for teaching staff
- February 2026:
  - publication of the schools white paper and the SEND reform: putting children and young people first consultation, setting out plans for SEND reform and to review how deprivation funding is targeted to better align funding with need
  - announcement of an inclusion base in every secondary school

25 https://www.gov.uk/government/consultations/send-reform-putting-children-and-young-people-first
26 https://www.gov.uk/government/news/10-year-plan-to-revitalise-schools-and-colleges-for-every-child

- March 2026:
  - launched consultation on support for pupils with medical conditions at school[27]
  - announcement of Inclusive Mainstream Fund[28] funding

Metrics

- SEND metrics will be confirmed following the government's response to the SEND consultation

Increase pupil and family engagement

We aim for children to feel safe and connected to their school environment supported by strong partnerships between families and schools.

The Department has continued to make progress toward our ambition to improve pupils' sense of belonging, attendance, and behaviour in schools.

In 2024/25 pupils attended over four million more days of school compared to the previous year, the biggest improvement in over a decade.

We have also strengthened guidance on mobile phones in schools and new guidance on screen time for parents of under-5s alongside refreshed behaviour resources to equip schools with the tools and guidance they need.

Key milestones and outputs

- Summer term 2025: refreshed behaviour in schools guidance
- November 2025: publication of first annual data on pupils' sense of school belonging, safety and sense of enjoyment for 2024/25
- January 2026: rollout of RISE attendance and behaviour hubs, providing regional support to more than 2,600 schools
- March 2026: national virtual attendance conference for primary school leaders
- guidance on screen time for parents of under-5s was published, alongside a commitment to develop guidance for parents of children aged 5 to 16

Metrics

- percentage of pupils persistently absent (missing 10% of more of sessions)
- percentage of disadvantaged pupils persistently absent (missing 10% or more of sessions)
- percentage of schools monitoring children's sense of belonging and engagement – measured via the nationally representative survey of schools used to inform the white paper (school and college voice omnibus, or its replacement)

27 https://www.gov.uk/government/consultations/proposal-on-support-for-pupils-with-medical-conditions-at-school
28 https://www.gov.uk/government/publications/inclusive-mainstream-fund-2026-to-2027/inclusive-mainstream-fund-for-schools-methodology-2026-to-2027

Stronger foundations to deliver change

We are strengthening the foundations to deliver a high performing educational system that spreads good practice, invites innovation and realises opportunities from data, AI and technology.

We are supporting and investing in high-quality staff and remain on track to deliver the government's commitment to recruiting 6,500 new teachers by the end of this Parliament.

We want all schools and trusts to be engines of change, driving improvement within and outside their own school gates, and making a self-improving system the reality. Universal RISE, a service for all schools, draws on the wealth of excellence that exists across the school system, supporting collaboration and the sharing of effective practice, so that every child can achieve and thrive. Where schools are underperforming but have the capacity to improve, we are deploying targeted RISE to facilitate rapid improvement. Structural intervention remains the default for the most seriously underperforming schools.

Key milestones and outputs

- April 2025: onboarded second cohort of targeted RISE schools
- May 2025: school teacher and leader pay award
- July 2025: £45 million was allocated in 2025-26 to improve digital connectivity in schools, including upgrades to wireless networks and fibre infrastructure
- September 2025: responded to consultation on 'School Accountability Reforms' including commitments to digital school profiles and stronger, more timely intervention
- September 2025: Ofsted published its consultation 'Improving the way Ofsted inspects education' response
- October 2025: universal RISE offer on attainment begins with secondary school attainment conferences reaching 1,800 sector leaders
- November 2025: Ofsted launched school report card and new inspection framework
- December 2025: launch of maximising value for pupils programme
- January 2026: started work on the EdTech impact testbeds, a four-year programme enabling schools and colleges to test digital tools in real-world settings
- January 2026: published updated GenAI product safety standards for EdTech companies
- January 2026: Ofsted published first wave of new school report cards
- February 2026: universal RISE key stage 2 raising attainment activity across 9 regions
- February 2026: consultation on reforms to key stage 4 performance measures and extending targeted RISE support
- February 2026: the Children's Wellbeing and Schools Bill amended to include provision to inspect multi-academy trusts

Metrics

- proposed monitoring through teacher sufficiency, quality and leadership metrics (for instance, percentage of postgraduate trainees achieving qualified teacher status and percentage of specialist teachers for EBacc subjects)
- number of secondary school, special school and further education college teachers in school workforce census and further education workforce data collection





Pillar 3: Skills for opportunity and growth

Senior responsible officer: Sinead O'Sullivan, Interim DG Skills Group

Strategic outcome

Support young people to develop skills they and the country needs, with an increased share of young people participating in higher training.

The skills white paper set out a long-term vision to equip people with the skills and knowledge to succeed, support growth, and drive national renewal, through a joined-up, data-driven skills system spanning employers, a high-quality further education sector, and a world-leading higher education sector.

In September 2025, responsibility for apprenticeships, adult further education skills training and careers, and Skills England, transferred from the Department to DWP. The transfer of all staff and relevant functions was completed in March 2026. Responsibility for higher education, and further education, skills, training and careers for those aged 19 years and under remains with the Department.

Performance against the ambitions set were measured through the outcomes below.

Outcome	Year end performance
Two-thirds of young people participate in higher education (level 4 and beyond) by age 25, including 10% participating in level 4 or 5 by 2040.	51% level 4+ (50% in 2022/23) 5.7% level 4 or 5 (5.8% in 2022/23)
Reduced numbers of young people aged 16 to 24 not in education, employment or training (NEET).	1,012,000 (13.5% of 16 to 24-year-olds, 12.5% in March 2025)
Increased provision of, and more demand amongst individuals, for the courses which deliver the skills needed in priority sectors.	Data in development
A reduced proportion of vacancies in priority sectors that are attributable to skills shortages.	27% in 2024 (2022: 36%; 2017: 22%)

Working with employers to drive growth and opportunity through education and training

The skills white paper set out ambitions for more data-driven skills planning with employers. Skills England has been established to identify national skills needs, simplify access, and mobilise employers and partners to co-create solutions at national, regional and local levels.

The apprenticeship levy is being transformed into a more flexible growth and skills levy. Foundation apprenticeships have been introduced to support young people into careers in critical sectors, the minimum duration has been reduced from 12 to 8 months and new apprenticeships units in priority sectors will help employers upskill workforces quickly and flexibly.

Around one million young people in the UK are NEET. In response, the government has expanded the Youth Guarantee and NEET prevention measures, including new training and work opportunities, improved data sharing, enhanced Risk of NEET tools, better attendance monitoring and regional trailblazers testing innovative approaches.

Key milestones and outputs

- Skills England was established
- foundation apprenticeships were launched
- funding to boost post-16 and construction skills was allocated to strategic authorities in December 2025; in non-devolved areas, capacity funds launched in February 2026
- £182 million engineering skills package launched in September 2025 to address shortages in priority sectors, alongside a separate £182 million defence skills package investing in TECs, higher education provision and facilities
- Youth Guarantee Trailblazers launched in eight regions in April 2025 to pilot support for young people at risk of becoming NEET, with three auto-enrolment backstop pilots introduced in January 2026

Metrics

Increasing starts in priority pathways

We are measuring the proportion of learners starting pathways mapped to the priority occupations identified in the industrial strategy sectors, construction and health. We are publishing the baseline for this new measure in June 2026 and will update annually.

Percentage of population NEET

We measured the proportion of young people aged 16 to 24 NEET[29] to track progress in reducing disengagement.

29 https://explore-education-statistics.service.gov.uk/find-statistics/neet-statistics-annual-brief/2025

Table 3: Percentage of population NEET

2023	2024	2025
12.1%	13.6%	13.3%

Skills shortage vacancy density

- proportion of vacancies that are skills shortage vacancies[30] assess labour market gaps and inform workforce planning

Table 4: Skills shortage vacancy density

2024	2022	2017
27%	36%	22%

- employer investment in training[30] shows the proportion of employers investing in workforce development, as an indicator of productivity and skills growth
- apprenticeship starts, achievements and participation[31] assess delivery effectiveness and contribution to skills development

Prestigious, specialist and high-quality further education

The skills white paper set out our plans to provide young people with high-quality pathways at all levels with a clear line of sight to employment and to drive high-quality teaching in a prestigious further education sector.

Major reforms to 16 to 19 qualifications introduced clearer, equal-status pathways across academic, vocational and technical routes, including new V Levels alongside A levels, improved T Levels, clearer level 2 pathways, and the phased removal of legacy qualifications from 2027. This is supported by significant investment: nearly £800 million extra next year (compared to this year's plans), £87 million in in-year growth funding for the year, and £8.6 billion invested in 16 to 19 education overall.

We delivered reforms to support recruitment, retention and quality of teachers across the post-16 sector, contributing to the government's commitment to recruiting an additional 6,500 new expert teachers.

TECs will equip young people with the high-level technical skills needed to access well-paid, high-skilled jobs, giving them a clear route from education into work. TECs are backed by £200 million of investment and are working with employers, representative bodies and strategic authorities on specialist training offers.

30 https://explore-education-statistics.service.gov.uk/find-statistics/employer-skills-survey/2024
31 https://explore-education-statistics.service.gov.uk/find-statistics/apprenticeships/2025-26

Key milestones and outputs

- following consultation, we confirmed reforms to post-16 qualifications, including new V Levels, expanded T Levels, and clearer level 2 occupational and further study pathways
- Reforms to improve recruitment, retention and quality of post-16 teachers contribute to the 6,500-teacher commitment. Measures introduced include retention incentives of up to £6,000 for early career further education teachers, strengthened initial teacher education from April 2026, enhanced professional development pathways, and continued work with expert partners.
- we launched 10 construction TECs in August 2025 and a further 19 TECs in April 2026 across priority sectors
- T Levels have been strengthened through additional funding, employer support, capital investment, and new content, including a construction specialism
- we published the relationships and sex education toolkit

Metrics

- further education workforce vacancies[32] to understand recruitment and retention challenges and their impact on delivery
- T Level entrants[33] and attainment[34] to assess take up, progression and early outcomes
- adult (19+) participation[35] in further education and skills to monitor engagement
- participation of 16 to 18-year-olds in education, training or employment[36] with training to ensure continued engagement in post-16 pathways

A world-leading, flexible and sustainable higher education system

In September 2025 we set a target for two-thirds of young people to participate in higher-level learning by age 25, including 10% at levels 4 and 5 by 2040. LLE will support this through more flexible student finance, modular provision, and new study options such as break points and short courses in priority sectors.

The skills white paper also set out plans to support and reward high-quality higher education provision, including fee uplifts for strong providers, action on poor quality, tighter regulation of franchised provision, and a more integrated approach to quality assessment through an expanded teaching excellence framework.

Reforms to improve access and participation include reintroducing targeted, means-tested maintenance grants of up to £1,000 from 2028/29, and establishing a task and finish group to address regional disparities for disadvantaged learners.

32 https://explore-education-statistics.service.gov.uk/find-statistics/further-education-workforce/2023-24
33 https://www.gov.uk/government/publications/t-level-and-t-level-foundation-year-entrant-data-2024-to-2025/t-level-and-t-level-foundation-year-entrant-data-2024-to-2025#methodology-and-data-sources
34 https://explore-education-statistics.service.gov.uk/find-statistics/provisional-t-level-results/2024-25
35 https://explore-education-statistics.service.gov.uk/find-statistics/further-education-and-skills/2024-25
36 https://explore-education-statistics.service.gov.uk/find-statistics/participation-in-education-and-training-and-employment/2024

Key milestones and outputs

- published a policy paper on freedom of speech and academic freedom in higher education in June 2025, setting out how the Higher Education (Freedom of Speech) Act would be implemented and amended
- enhanced free speech duties for registered higher education providers came into force on 1 August 2025, alongside a new duty on OfS to promote freedom of speech
- following consultation, we confirmed that larger franchised providers must register with OfS to deliver designated courses from 2028/29
- we confirmed plans for a new international student levy and the reintroduction of means-tested maintenance grants from 2028/29
- we supported providers to prepare for LLE through workshops and updated guidance
- an expression of interest process for modular LLE provision ran from July to October 2025, with outcomes confirmed in February 2026
- in November 2025, we confirmed tuition fee limits for 2026/27 and 2027/28 and maintenance loan rates for 2026/27

Metrics

Table 5: Headline outcome metric: level 4+ participation

	2021/22	2022/23	2023/24
Two-thirds of young people participating in higher level (level 4+) training	49.5%	50.0%	50.9%
10% levels 4 or 5 by 2040	6.0%	5.9%	5.7%

- progress towards the target for two-thirds of young people to participate in level 4+ training (including 10% at levels 4 or 5) by 2040, using the cohort-based higher education participation measure[37]
- higher education participation[38] focusing on widening access for under-represented groups
- participation in level 4+ apprenticeships[39] to assess their contribution to advanced skills and workforce needs (In addition, we monitored participation in level 4+ apprenticeships to assess their contribution to advanced skills and workforce needs.)

37 https://explore-education-statistics.service.gov.uk/find-statistics/participation-measures-in-higher-education/2023-24#section-age
38 https://explore-education-statistics.service.gov.uk/find-statistics/widening-participation-in-higher-education/2023-24
39 https://www.officeforstudents.org.uk/data-and-analysis/student-characteristics-data/outcomes-data-dashboard/



Pillar 4: Family security – keeping children safe and reducing child poverty

Senior responsible officer: Gila Sacks, DG Families Group

Working across government, the pillar will remove the underlying barriers to opportunity. What happens in the home is a key driver of school experiences and attainment, and influences choices and outcomes post-16.

Reforming the CSC system is critical to keeping children and young people safe and giving them the best start in life they deserve. We have announced the biggest overhaul in a generation to ensure opportunity for all children. This includes increased investment and landmark legislation.

Outcome	Year end performance
Reduced number of children in care (excluding non-accompanied asylum-seeking children).	75,240 (down from 76,090 at March 2024)
Reduced number of children growing up in relative poverty (after housing costs).	4.0 million children (27% relative low income after housing costs)

Children, young people and families stay together and get the help they need

Children and families should be able to access help quickly when issues arise. The government is therefore committed to rebalancing CSC towards earlier intervention.

The family first programme (FFP) is introducing these reforms nationally. Recommended by the Independent Review of Children's Social Care, family help is central to reducing escalation, avoiding families being passed between services and prioritising more consistent relationships.

Multi-disciplinary family help teams will work in communities to support families earlier, improving outcomes and reducing pressure on public services by safely lowering the number of children who become looked after. This builds on effective practice, including the supporting families programme.

Through the Children's Wellbeing and Schools Act 2026, all local authorities will be required to offer a family group decision-making meeting to all parents, or those with parental responsibility, whose children's cases has reached at the pre-proceedings stage, unless it would not be in the child's best interest.

Key milestones and outputs

- FFP was launched in April 2025, with supporting guidance updated in March 2026 ahead of year 2 of delivery
- clear monitoring arrangements have been put in place to track delivery against the expectations set out in the FFP programme guide
- in November 2025, the Department announced over £2.4 billion in funding for FFP over three years (This is delivered via MHCLG through the local government finance settlement and is ringfenced for spend on prevention.)

Metric

- reduction in the number of children becoming looked after (excluding unaccompanied asylum-seeking children); by providing greater access to Family Help and multi-agency child protection services to families in England

Children and young people are supported by their family network

FFP aims to keep more children with their families, supported by their family networks, wherever safe and possible. The updated guidance strengthened the Family Networks pillar by setting out how Family Network Support Packages can be used alongside Family Group Decision Making to empower and mobilise family networks earlier, address welfare concerns and help prevent escalation.

Through the Children's Wellbeing and Schools Act, all local authorities will soon have a duty to offer Family Group Decision Making at the point of pre-proceedings, where this is in the best interests of the child. This will help ensure that families on the edge of care are offered the opportunity to make a family-led plan before care proceedings are initiated.

We launched seven kinship zones to provide financial support to kinship families in line with the National Minimum Fostering Allowance. This 3.5-year pilot is designed to support up to 5,000 families, with £126 million of funding confirmed for the first two years.

Key milestones and outputs

- a review of the parental leave system was launched in July 2025, with kinship carers included in scope
- seven kinship zones launched, to provide financial support to kinship families
- the Children's Wellbeing and Schools Act received Royal Assent, creating the following statutory duties:
  - offering families a family group decision meeting at pre-proceedings
  - local authorities consults and publish their kinship local offer
  - places virtual school head support for children in kinship care on a statutory footing

- the Law Commission launched its review into the legal framework for kinship arrangements in June 2025
- extension of the Family Network Pilot for 2026-27

Metrics

- in 2025, 3% of children looked after ceased due to a residence order or child arrangement order being granted, and 12% ceased due to a special guardianship order

Children and young people are safe in and outside of their homes

Keeping children safe inside and outside the home and online is paramount. Strong multi-agency child protection practice is critical and improving information sharing remains a key priority. Measures in the Children's Wellbeing and Schools Act include introducing a clear legal duty for sharing information for the purposes of safeguarding and promoting the welfare of children, and provision for a single unique identifier.

The act includes measures to establish new multi-agency child protection teams (MACPTs) in every local authority area, improve information sharing between agencies and automatically include education and childcare settings in multi-agency safeguarding arrangements.

The CSC national framework was updated in 2026 to reflect the direction of CSC reforms. Under outcome 2 of the framework, clear expectations are set out to support how 'children and young people are safe in and outside their homes'.

Key milestones and outputs

- The Department initiated test and learn pilots to establish how a consistent identifier could be implemented. Learning from these pilots is informing the next phase with DHSC and NHS England.
- The national FFP programme guide and grant conditions set out expectations and reporting of local safeguarding partners for designing and implementing MACPTs at a local level.

Metrics

- In 2025 over 400,000 children (prior year: 402,400) were classed as in need, of which nearly 50,000 children (prior year: 49,400) were on child protection plans.
- In 2025, there were over 230,000 section 47 child protection enquiries (prior year: 230,590). The proportion of initial child protection conferences to section 47s was nearly one third (prior year: 31%).
- In 2025, 24.5% of child protection plans starting during the year were a second or subsequent plan.
- In 2025, the proportion of initial child protection conferences to section 47 enquiries was 31%.
- The percentage of child protection plans longer than two years was 2.3%.

Children in care and care leavers have stable, loving homes

We published a fostering action plan, including a commitment to create 10,000 more foster places this parliament.

Throughout the Children's Wellbeing and Schools Act, we are introducing measures to rebalance the market, improve competition, regulation and commissioning, improve transparency on profits, and give local authorities cleave visibility of placement prices. This also includes expanding regional care cooperatives, introducing a financial oversight scheme for the hardest to replace providers, tackling unregistered provision and strengthening Ofsted's enforcement powers.

We established a joint initiative with NHS England to test earlier, more coordinated support for children at risk of, or subject to, deprivation of liberty through the inherent jurisdiction of the high court. The pilots are generating evidence on what works and the conditions needed for wider reform.

Key milestones and outputs

- published the fostering action plan
- in March 2026, we invited areas to bid for grant funding to establish new regional care cooperatives; in July 2026, we confirmed five new regional care cooperatives

Metrics

- there has been:
  - a 1% decrease in the total number of fostering households compared to last year
  - a decrease of 2% of local authority mainstream households from last year
  - a small increase in independent fostering authority households
- at March 2025, there were 69,825 approved mainstream fostering places (prior year: 70,465)
- proportion of placements inside the local authority was 56% (prior year: 55%)
- proportion of looked after children placed within 20 miles of home was 69% – the same as last year
- 1 in 10 children looked after (10%) in 2025 experienced high placement instability (3 or more placements during the year), broadly stable with previous years
- proportion of children looked after experiencing high school instability (at least one mid-year school move during the year) in 2025 was 8%, unchanged from 2022
- proportion of children looked after experiencing high social worker instability (3 or more social workers during the year) in 2025 was 24% (prior year: 27%)

Enablers: partnerships, leaders, workforces

Our CSC improvement and intervention programme helps local authorities to achieve the best outcomes for children and families, by reducing the number of local authorities rated inadequate by Ofsted, supporting areas with early signs of decline and intervening where services fall below the required standards.

We are simplifying the department's improvement and intervention support to local authorities, aligning it with CSC reform priorities. This year our sector led improvement partner programme funded 19 delivery partners to improve their service delivery.

Social workers are skilled professionals who play a vital role in keeping children safe. We are supporting the development of a high-quality, stable workforce to improve outcomes for children and families and ensure local authorities can fulfil their statutory duties. We have been investing 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.

Key milestones and outputs

- we are working with the Local Government Association to support leadership across children's services, 150 local authorities out of a total of 153 have benefited so far
- statutory guidance on local authority use of agency child and family social workers came into full effect in October 2025, alongside regional price caps
- we trained around 850 new social workers through our graduate training programmes and provided professional development to around 3,000 others

Metrics

- since 2017, the number of local authorities judged as Inadequate by Ofsted has dropped from 30 to 14, and the number of local authorities judged as Good or Outstanding has risen from 54 to 110
- the number of children living in local authorities judged as Good or Outstanding has more than doubled since 2017
- 171 unique sector led improvement partnerships have been funded since 2021, with 85 different local authorities (55%) having received some form of support from a partner
- on 30 September 2025, there were:
  - 36,200 FTE child and family social workers employed by local authorities in England, this is a 5.4% increase compared to 2024
  - 5,400 FTE agency social workers in post, down 16.9% or 1,100 workers from 2024
- in 2025, 14.2% of FTE social worker posts at local authorities were vacant, a 3.1% decrease compared to 2024, of these vacancies 73.6% were covered by agency workers

UN Sustainable Development Goals

The Department continues to align its strategic outcomes with the UN's Sustainable Development Goals (SDG),[40] ensuring our work contributes to global efforts on sustainability, equity, and prosperity.

The following goals are directly addressed through our pillars:

- SDG 1 – End poverty in all its forms everywhere
- SDG 3 – Ensure healthy lives and promote well-being for all at all ages
- SDG 4 – Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- SDG 8 – Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all
- SDG 10 – Reduce inequality within and among countries

We have embedded sustainable development principles across policymaking, estate management, and procurement. This includes rural proofing, climate resilience, and environmental stewardship.



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

Key risks and issues

Principal risks are those which, if realised, would significantly affect delivery of our Departmental objectives. Each risk, or issue where it has crystallised, is owned by a Director General, managed day to day within the relevant directorate, and overseen through the Department's corporate governance arrangements. Further detail on our risk and issue management framework is set out in the Accountability Report.

One risk reported in last year's ARA (high needs cost pressures) has been replaced by an overall SEND risk. The schools and further education workforce risk has also been split, with the schools' element now managed at a lower level.

In total, seven principal risks and issues are reported this year, compared to five last year. Risk positions for the further education workforce, education estate and cyber security remain stable since March 2025. The risk of higher education provider financial failure marginally improved in 2025-26. Two new risks, SEND and AI, were created during the year and we have escalated school attendance to the principal level.

Table 6: Principal risks or issues managed during the year

No	Risk	March 2025 rating	March 2026 rating	Direction
1	Further education workforce	Major issue	Major issue	Stable
2	Education estate	Critical – Very likely	Critical – Very likely	Stable
3	Higher education financial failure	Critical – Very likely	Critical – Likely	Improving
4	Cyber security	Critical – Likely	Critical – Likely	Stable
5	SEND	Created October 2025	Major issue	New in year
6	AI	Created October 2025	Critical – Possible	New in year
7	School attendance	Escalated April 2025	Major issue	New in year

Risk 1 – Further education workforce

Business group owner

Skills Group

Issue profile across the year

Stable

Risk description

There is a risk that ongoing shortages of highly skilled further education teachers, particularly in high-priority subjects and in some regions, undermine the delivery of high-quality further education provision and, in turn, the government's target to recruit 6,500 additional expert teachers across secondary schools, further education settings and special schools during this Parliament.

Causes

This risk is driven by recruitment and retention pressures across the sector, alongside rising learner demand, which impacts providers' capacity to deliver high-quality provision. While further education teacher numbers have started to increase, retention continues to be a challenge, particularly in the early career stage, and vacancies in high-priority subjects persist. Difficulties in recruiting and retaining further education teachers are driven by a combination of factors, with the sector reporting comparative pay, workload and professional development support as critical.

Mitigating actions

The Department is taking a coordinated approach to strengthen the recruitment, retention and professional development of further education teachers. This includes improving the attractiveness and awareness of further education teaching careers, alongside funding to address recruitment and retention pressures, such as targeted retention incentives. We are building a better supported workforce by taking action to reduce workload, improve wellbeing and strengthen early career support. We are working to ensure a high-quality, expert workforce by expanding industry engagement, reforming initial teacher education standards, and establishing a clear, evidence-based pathway for career-long development – helping to build a sustainable pipeline of skilled further education teachers.

Risk 2 – Education estate

Business group owner	Risk profile across the year
Operations and Infrastructure Group	Stable

Risk description

There is a risk of building or building element failure in the publicly funded estate resulting from structural safety issues.

Causes

While general deterioration of building condition increases the risk of building failure, which can be exacerbated by climate change, 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 failure. If buildings have not been carefully monitored and maintained by responsible bodies, the risk of structural failure increases.

Mitigating actions

There has not been a structural incident of which the Department is aware 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.

The Department has strengthened its understanding of risk across the school estate through enhanced research and data collection, including fieldwork and data analysis to understand key structural risks. This evidence is informing more targeted prioritisation of interventions. The Education Estates Strategy, published in February 2026, sets out plans for an estate that is safe, suitable, sustainable and sufficiently sized. It is backed by a 10-year plan to deliver a decade of renewal of schools and colleges. As part of this, the school estate management standards are improving consistency of estate management, alongside investment in the education estate, such as the school rebuilding programme and the new renewal and retrofit programme, to enhance condition, safety and accessibility. The transition to a new construction framework for Department-delivered construction programmes has increased the focus on delivering quality and compliance, supported by new technical guidance and a comprehensive performance management regime. Sustained action is required, with a continued focus on strengthening the evidence base, earlier intervention, improved asset management, and efficient delivery.

Risk 3 – Higher education financial failure

Business group owner

Skills Group

Risk profile across the year

Improving

Risk description

There is a risk that financial failure of a higher education provider impacts students, the sector and the economy.

Causes

This risk is driven by constrained income and international student numbers, alongside costs and inflationary pressures.

Mitigating actions

OfS leads oversight of higher education providers, including their financial health. The Department is working with OfS as it strengthens its approach through improved monitoring, clearer guidance on managing financial distress and engagement with institutions at risk. This includes enhancing case management processes and scenario planning around student protection in the event of provider failure. In October 2025 the Department published the skills white paper that included substantial higher education reform proposals to strengthen the long-term position of the sector. This included the announcement of inflation-linked tuition fee cap uplifts which will provide a strong and sustainable funding stream for higher education providers. This approach ensures the sector benefits from compounding annual increases, delivering growing resources to support high-quality education and innovation.

Risk 4 – Cyber security

Business group owner

Operations and Infrastructure Group

Risk profile across the year

Stable

Risk 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.

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 substantial and a critical cyber event remains likely.

Mitigating actions

The Department is strengthening its cyber security posture through a layered, prevention-led approach aligned to government standards. Core systems are protected through enhanced monitoring, threat detection and vulnerability management, supported by regular penetration testing and network assurance. Investment in secure by design architecture, identity and access controls, and the resilience of critical services is reducing exposure to common threats. These controls are reinforced by a well-established and regularly tested incident response framework, with clear communication protocols and routine simulation exercises. Close collaboration with central government and external partners enhances preparedness, while sustained workforce awareness ensures high levels of vigilance across the Department.

Risk 5 – SEND

Business group owner

Schools Group

Risk profile across the year

New in year

Risk description

There is an issue that the SEND system is failing to meet the needs of pupils with SEND, who are facing lower academic outcomes, higher absence rates and poorer outcomes.

Causes

Mainstream education is challenged by rising and more complex need, reduced access to early support and variable confidence in inclusive provision. Combined with specialist workforce capacity constraints, inconsistent local delivery and financial pressures, this has led to delays, fragmented support and poorer outcomes for pupils with SEND.

Mitigating actions

The Department is strengthening inclusive mainstream provision through increased investment, earlier intervention, training and improved access to specialist advice, including through BSFHs and the new Experts at Hand service. Workforce training is being expanded, supported by investment in inclusive provision. The Department launched a consultation in February 2026 setting out proposals for a national framework introducing consistent tiers of support to be embedded alongside national inclusion standards. The proposals being considered also included digital individual support plans and specialist provision packages, intended to improve consistency, transparency and accountability, reducing reliance on statutory processes.

Risk 6 – AI

Business group owner

Strategy Group

Risk profile across the year

New in year

Risk description

There is a risk that the rapid development and adoption of AI exceed the education system's capacity to respond effectively, resulting in missed opportunities, reduced academic integrity, safeguarding risks and unequal access to benefits. Broader societal risks also include impact on children's mental health and cognition as well as worsening of the digital divide.

Causes

This risk is driven by the rapid availability and development of generative AI tools and uncertainty regarding the long-term impact on learning, skills development and wellbeing.

Mitigating actions

The Department is responding to the opportunities and challenges of AI by developing national frameworks and clear safety expectations, while building sector capability through targeted training and practical guidance. We are supporting evidence-based adoption by piloting and evaluating AI tools, strengthening data protection and governance, and working with partners to build a trusted evidence base. At the same time, we are pursuing AI's potential to improve productivity, strengthen decision-making and support innovation through disciplined investment and responsible adoption. Throughout, we remain focused on promoting equity, safeguarding individuals and maintaining public trust.

Risk 7 – School attendance

Business group owner

Schools Group

Risk profile across the year

New in year

Risk description

School attendance remains below pre-pandemic (2018/19) levels, with persistently high absence harming pupils' attainment, safety and wellbeing, especially among vulnerable children, who are overrepresented among those frequently absent.

Causes

Attendance has improved since the pandemic but remains above pre-COVID absence levels. Key drivers include inconsistent attendance management, shifts in attitudes, unmet mental health and SEND needs, and wider economic pressures on families.

Mitigating actions

A reform programme has strengthened attendance systems, with clearer guidance, improved data sharing for quicker interventions, and added resources to support consistent practice. Progress is monitored nationally, while initiatives like attendance and behaviour hubs build capability and drive local improvement.

Fraud and error

Table 7: Performance in fraud and error prevention over the past four years

	2025-26 (Q1 and Q2)	2024-25 (full year)	2024-25 (Q1 and Q2)	2023-24 (full year)	2023-24 (Q1 and Q2)	2022-23
	£m	£m	£m	£m	£m	£m
Detected error	274.5	48.2	13.8	72.3	36.4	39.1
Detected fraud	6.5	26.7	19.2	12.6	6.1	58.2
Recoveries fraud and error	269.7	36.9	16.5	66.8	27.5	17.0
Prevented fraud	31.7	72.3	50.8	104.1	3.1	51.6

Table 7 shows the full-year 2024-25 figures, adding the final two quarters to the first half year values disclosed last year. We report to the Public Sector Fraud Authority (PSFA) on a timetable that lags the ARA timetable, so the final prior year figures were approved in October 2025. Current year data is provisional and covers the first two quarters only.

For this year we agreed a prevention and recovery target of £122 million with PSFA. We are expecting to achieve that target thereby exceeding the 2024-25 baseline.

Financial outcomes of cases the Department investigates into education providers, help inform our fraud risk. Issues identified through investigation include funding being claimed without evidence of delivery, failure to return unspent bursary allocations, delivery not compliant with published funding rules, inaccurate data submitted leading to funding overclaims and improper use of grant funding.

The Department has an established fraud risk team that conducts fraud risk assessments across the grants landscape, prioritising higher-risk programmes. Based on risk, intelligence and case evidence, major spend areas have been identified on the Department's top-tier risk. Dedicated fraud leads are in place to oversee and manage risks within these areas, and fraud action plans have either been developed or are in development to ensure targeted reduction in risk. These risks are captured, which allows for reporting and trend analysis, and are reported through governance structures to support mitigations.

Detected error

Detected errors are where incorrect payments occur. Errors reported here include where fraud cannot be determined or wrong or incorrect payments are made to recipients (such as certain types of overpayments).

This year, two large errors totalling £241 million arose from a single process failure. Two mayoral combined authorities receiving adult skills funding through integrated settlements via MHCLG, were paid by the Department through an adult skills funding payment run for authorities without integrated settlements. Although the authorities were entitled to funding, it should have been through a budget transfer to MHCLG, rather than a direct payment. Their inclusion was missed in the pre-payment review, but the error was identified post-payment and the funds recovered. We have since introduced additional preventative controls for budgets distributed both through other government departments and direct payments. These recoveries are included in the table and excluding this anomalous item brings our detected error figure into line with previous years.

Detected fraud

Detected fraud are instances where payments were made, and we judged post-payment there was an intention to defraud. This category does not include instances of fraud that were prevented from payment, since no payments were made.

Detected fraud is forecast to be lower this year, because a large group of cases concluded in Q2 2024-25.

Recoveries fraud and error

Recoveries mainly relate to error rather than fraud and typically arise from control failures or procedural lapses. Detected errors are usually recovered quickly because our transactional counterparties are broadly stable and receive regular funding from which overpayments can be recovered. All identified fraud losses are pursued by a dedicated team using all available enforcement options. Recovery values are reported on the date recovered, not the date of the incorrect payment.

Prevented fraud

This includes both ‘prevented actuals’ (losses that would have occurred immediately) and ‘future loss preventions’ (losses that would have occurred within the next twelve months had action not been taken).

Reported prevented fraud remains broadly in line with last year under these definitions.

Estimation of errors

In addition to the counter fraud team, the Group also has dedicated assurance teams that address errors and provide assurance over the regularity of the Group’s spending. More details, including an annual assurance assessment, can be found in the Regularity section. We have reviewed our significant spending activities and made estimations, including extrapolations, of possible errors. Significant activities are:

- early years funding
- academy and schools funding
- adult education budget
- 16 to 19 funding
- apprenticeships training
- student support

Across these activities we have quantified potential errors at £538 million.

A separate assessment for student loans and associated grants quantified the potential error at £268 million. This is separate to the £21 million noted below.

Our estimation of the error is different to the one reported by the external auditor in the Certificate and Report of the Comptroller and Auditor General, as the auditor performs their own calculation of the estimated error based on their audit work using different assumptions and judgements.

Weekend only courses student funding

As noted in the governance statement the Department has determined an additional exposure for the year to be £333 million (split £312 million for loans and £21 million for grants) (prior year: £226 million).

Strategic enablers

Workforce, skills and location

Our departmental behaviours (we are kind, we are direct, we simplify and we connect) underpin our ambition to be a high-performing, innovative and mission-focused organisation delivering for ministers and the public.

We continued to deliver our 2024-27 People Strategic Plan (PSP), building a supportive, accountable culture that attracts and develops talent. To improve value for money and strengthen delivery, we reduced reliance on managed services and made the decision to bring LocatED activities into the Department, improving ministerial oversight.

We invested in capability through learning focused on leadership, change, agility and innovation, while maintaining our position as a leading apprenticeship employer with 5.4% of our staff registered on an apprenticeship at the end of the year. We also made the difficult decision to reduce our estate to eight locations, lowering costs while maintaining a strong presence across the country and enabling colleague collaboration.

Through robust talent, performance and succession planning, we continued to build the leadership capability and culture needed for a high performing organisation, focused on innovation, accountability and excellence in delivery.

Innovation, technology and data

Our Digital Data and Technology (DDT) directorates provide services, tools, platforms and data to our departmental colleagues, other government departments and our sectors, following our five strategic priorities.

The right technology

Over the year, we implemented the government secure-by-design scheme, continued the GovAssure cyber security assessment roll out and developed our sector cyber hub for schools to strengthen resilience through proactive and reactive support.

Artificial intelligence had growing impact across the Department, from a schools data checking agent that helped process over 6,000 queries to the call summarisation tool that improved efficiency in the national helpline.

Delivering digitally

Our mature digital services continued to perform strongly. The apprenticeship service processed £3 billion of payments, exceeding accuracy and timeliness targets. The ‘Your Apprenticeship’ mobile app was further enhanced and work on digital certification of apprenticeships went into testing.

We delivered funding to education providers whilst meeting new policy priorities, achieving efficiencies and reducing monthly service errors.

We launched new services, including the education record app, which lets pupils access and share GCSE results and educational history on their phones, and new attendance data products have helped schools improve attendance.

Powered by data

We mobilised the schools data spine programme to improve data sharing across the sector and into the Department. In funding, an operational data layer is improving how data is used, reducing error, manual interventions and pain points. In CSC we have piloted a single unique identifier to improve multi-agency information sharing.

We made good progress in removing legacy technology from our data services. Improved processes and standards have accelerated insight delivery while reducing the business-as-usual burden, creating future ready data foundations that can support cross departmental insight generation.

DDT skills and expertise

We have continued to build DDT capability through immersive training, specialist recruitment and implementation of the government digital and data pay framework, reducing reliance on contractors. More than 70% of staff built their AI skills through the One Big Thing – AI for All programme.

Sector capability

The skills and schools white papers and Best Start In Life Strategy set out extensive plans to build digital and data capability across the education sector.

We developed the EdTech testbed programme, to assess innovative technology in schools and colleges, announced a set of AI product safety standards to protect children's cognitive development and safeguard their social-emotional development.

Delivery, collaboration and evaluation

Since the 2024 general election, the Department has led on opportunity, working to improve outcomes for children and young people. Delivery entered a more mature phase this year, with clear outcomes and targets to improve levels of development at age 5, school attendance and attainment, progression to higher levels of education, transitions into work and family security.

We focused on measurable impact by expanding early education and connected family services through BSFHs; using real-time data to improve attendance; embedding school improvement through RISE, supporting progression into higher-level learning and employment through LLE; recruiting and training more further education teachers; and designing new qualification pathways for 16 to 19-year-olds.

There was a particular focus on improved outcomes for disadvantaged children and young people, those with SEND or those with experience of care. The Department progressed reforms including national inclusion standards, updates to the SEND code of practice, and supported implementation of measures such as experts at hand and inclusion bases.

Collaboration with local delivery partners focused on school improvement, safeguarding, school attendance and wider system reform. Engagement operated at scale, including national and regional conferences attended by over 11,000 school leaders, and 21 conferences on the schools white paper and SEND reforms reaching over 1,000 leaders across the system. Attendance interventions were delivered alongside a targeted challenge and recognition exercise for responsible bodies.

Statutory activity remained strong, with high safeguarding case resolution and effective handling of a rising volume of school complaints. School intervention activity reflected the current inspection context, while structural and significant change casework remained steady. RISE supported more than 350 schools, with most eligible schools implementing approved plans. In CSC, regional teams provided oversight and supported local authorities through statutory intervention, sector-led improvement and targeted funding. Financial sustainability was strengthened through 255 school resource management adviser deployments, securing £79.3 million in planned savings over three years.

Evaluation continued to strengthen delivery by building the evidence on what works, including attendance mentors, wraparound childcare, and expanded early years childcare entitlements. The Department published its Evaluation strategy 2025-2029,[41] to set out its approach for the years ahead.

Work continued to build the project delivery and operational delivery professions, strengthening the Department's underpinning delivery capability. Over 250 colleagues were accredited on project delivery. The Delivery Unit and Major Projects Portfolio Office provided targeted support and assurance for the highest priority, highest value and most complex programmes, including those in the government major projects portfolio.



41 https://www.gov.uk/government/publications/dfe-evaluation-strategy-2025-to-2029

Sustainability reporting

This section and Annex B set out the Department's sustainability performance. Information is prepared in accordance with:

- FReM
- Sustainability Reporting Guidance 2025-26
- Taskforce on climate-related financial disclosures (TCFD) aligned disclosure for the UK public sector: application guidance (July 2025)

Scope, materiality, and reporting boundaries

Disclosures are based on whether activities are within scope of the Greening Government Commitments (GGCs), are recommended by the TCFD, or are otherwise material.

The Department's office estate and operations, including Agencies and NDPBs, are within scope of the GGCs and reported on that basis. Where Agencies and NDPBs are large enough to fall within scope of TCFD themselves, climate-related risk is reported separately in their own ARAs.

The education estate (schools, colleges and similar settings) is outside of the scope of the GGCs. However, given the scale of the estate and the Department's policy and funding responsibilities, some sustainability matters, particularly climate-related financial risks, are material and are therefore disclosed.

Non-statutory guidance advises academy trusts and further education colleges to report against the streamlined energy and carbon reporting framework and TCFD in their own ARAs where they meet the relevant size or turnover thresholds.

Three lenses to view the education system

These disclosures reflect the reporting principles of transparency, accessibility and understandability by viewing the Department's responsibilities through three distinct lenses. This approach enables clarity about the materiality and scope of the disclosures.

Lens 1: Corporate body

This covers the Group's office estate and operations. Although the corporate estate is small compared to other government departments, it is within scope for GGCs.

Lens 2: Education service delivery

This covers delivery of the Department's core services in education and CSC, including policy development, sector guidance and funding. Climate-related risks affecting delivery of education and its long-term value to the economy, society and the environment are considered material.

Lens 3: Education estate

This covers education buildings, operations and land holdings. Although we do not own or manage a large share of the education sector's estate, we are responsible for material climate-related financial risks linked to future flooding, overheating, climate adaptation and the transition to net zero.

Greenhouse gas emissions, waste and water use

We comply with GGCs for the corporate body and figures are published as part of the GGC reporting cycle. Table 34 shows recorded emissions, waste, and water use for the financial year.

Financial information for emissions, waste and water use are not included in our sustainability reporting. While environmental data is reported for the Group, the related financial and billing data is not yet robust or consistent enough to support reliable attribution.

This year is the first year of the new five-year GGC framework, which uses 2025-26 as its baseline. At the time of writing, GGC targets have not been agreed across government and cannot be included here. Performance against the baseline will not be available until the end of the next financial year. In previous years, we have always met or exceeded our GGC targets.

Total scope 1, 2 and 3 emissions for the corporate body decreased during the reporting period, with an overall reduction of 225 tCO_2e (4.7%) compared to the previous year. Emissions have reduced despite increased operational demand, reflecting the ongoing decarbonisation of the electricity grid and reductions in travel-related emissions. The figure for total waste volume has increased, but this reflects improved data capture and expanded reporting coverage. ICT waste data is a new reporting requirement for the Group.

We are phasing out the use of gas for heating and hot water in all but one of our main office buildings by 2027. The Group will continue to reduce emissions through targeted efficiency measures and the further decarbonisation of its operations.

The education estate is outside of the scope of GGCs and equivalent data is not routinely collected. The most recent survey of energy use (the Building Energy Efficiency Survey published in 2016) revealed that scopes 1 and 2 emissions for education buildings (schools, colleges and universities combined) accounted for about a third of all public buildings' emissions.

The survey covered emissions from buildings only, not vehicles. As the energy mix has changed since 2016, absolute CO_2e values are potentially lower, but the proportion relative to the rest of the public sector is likely to have remained broadly similar. Partial scope 3 emissions required by the GGCs are disclosed for the corporate body (Table 34).

For the education estate, the Department does not assess overall scope 3 emissions, as most procurement decisions are made by individual settings and responsible bodies. However, there are elements of scope 3 over which the Department retains control, one of which being the construction and refurbishment of the school estate.

The embodied emissions of construction are expected to be a significant component of the overall emissions for which the Department is responsible, and we have asked suppliers and contractors to start reporting on the embodied carbon of construction projects.

Other climate and sustainability reporting

Alongside meeting GGC targets for the corporate body, we have taken steps to improve the environmental performance of the education estate and its operations.

All schools and colleges built under our control (known as centrally delivered) follow the Department's environmental performance and energy building specifications, designed to be 'net zero in operation'. The Department has committed to applying these standards for all centrally delivered programmes.

New buildings are designed to be climate resilient under a 2°C global warming scenario, and future-proofed for 4°C. We are also piloting projects on access to nature, ultra-low carbon construction and greater use of green infrastructure.

Working with HMT and the National Infrastructure and Service Transformation Authority, we are exploring ways to facilitate access to an approved power purchase agreement for solar power.

Taskforce on climate-related financial disclosures

TCFD-aligned disclosures show how the Department is responding to climate-related financial risks. They cover four pillars: governance, metrics and targets, risk management, and the impact of climate-related risks on the Department's strategy.

The Department is compliant with 9 out of the 11 recommended disclosures. The disclosures for which we are partially compliant are 'targets used to manage climate risks' in the Metrics and Targets pillar, and 'risks identified over the short, medium, and long-term' in the Strategy pillar (see the TCFD application guidance[42] for details of the recommended disclosures). Explanations are provided in the relevant sections below.

The Department does not consider climate change to be a principal risk. However, it exacerbates the principal risk of building failure across the education estate and is therefore treated as a component of that risk.

Governance

This relates to the Board's oversight of climate-related risks and opportunities, as well as management's role in assessing and managing them.

Our corporate sustainability strategy was updated this year and sets out how climate-related risk will be managed. It embeds sustainability into everyday corporate practice, empowering policymakers, delivery leads and operational teams to consider climate-related risk and environmental impacts and build capability where needed. This supports education service delivery and the education estate, where most policy and delivery takes place.

42 https://www.gov.uk/government/publications/tcfd-aligned-disclosure-application-guidance

The Audit and Risk Committee (ARC) now receives annual updates on climate-related financial risks affecting education service delivery and the education estate on behalf of the Board. Oversight of GGCs and climate-related risks was delegated to ARC during the year, which now provides assurance to the Board on these matters.

Our Corporate Sustainability Board oversees the departmental corporate sustainability strategy and GGC reporting. It aligns corporate and finance processes with sustainability requirements and monitors progress.

Ministers, non-executive board members, directors general, the Chief Sustainability Officer and senior responsible officer for the sustainability strategy and education estates strategy attend relevant cross-government climate change and environment boards, including the Make Britain a Clean Energy Superpower mission board.

Metrics and targets (climate-related risk)

This section sets out the metrics the Department uses to assess climate-related risks in line with its strategy and risk management process, and the status of targets used to manage climate-related risks and opportunities. Metrics and targets for managing scope 1 and 2 emissions are covered above in the Greenhouse gas emissions, waste and water use section above.

Climate-related financial risks relating to the corporate body fall within GGCs. However, most of the corporate estate is managed by the Government Property Agency, which is expected to provide climate risk metrics and targets for the corporate estate and operations by 2027.

Education service delivery and the education estate are outside of the scope of GGCs but are considered material for the purposes of TCFD for both physical risks and transition risks. The Department has identified four key metrics for the assessment of physical risks:

- average number of extreme indoor overheating events per year
- average cumulative loss of learning days per year due to chronic overheating
- number of schools at risk (and severity of risk) from surface water flooding
- number of schools at risk (and severity of risk) from river and sea flooding

Further details are set out in the strategy section below. Targets have not yet been set to manage these physical risks.

The Department has not set metrics or targets for transition risks. Our Education Estates Strategy: a decade of national renewal[43] sets out plans for an estate that supports opportunity for all and is safe, suitable, sustainable and of sufficient size. Sustainability is embedded in the strategy and includes estate management standards and data to assess how effectively climate risk is being managed. As the strategy is implemented, consideration will be given to the development of metrics and targets where appropriate.

43 https://www.gov.uk/government/publications/education-estates-strategy/education-estates-strategy-a-decade-of-national-renewal

Risk management (processes)

This section describes the Department's processes for identifying, assessing and managing climate-related risks and opportunities, and how they are integrated into the overall risk management framework.

Climate change is integrated into our principal risk reporting and governance structures. As a component of a principal risk, climate risk is reviewed via monthly principal risk management governance processes and subject to deeper review.

Risks are managed through our risk management framework, aligned with HMT's Orange Book. During the year, a new sustainability strategy for the corporate body was developed to strengthen departmental risk and investment management processes and improve identification of climate-related risk across policy, delivery and operations.

We also recognised physical risks to education service delivery and the education estate as part of the UK Climate Change Risk Assessment 2022. The Department now requires all new schools to assess future flooding and overheating risks during site selection and design.

Climate risk management strategies for education service delivery are set out in our Sustainability and climate change: a strategy for the education and children's services systems,[44] and for the education estate in our Education Estates Strategy. Education settings are supported to develop their own climate action plan via the Department-funded Sustainability Support for Education hub[45] and National Education Nature Park.[46]

Strategy

This section describes the climate-related risks and opportunities the Department has identified over the short, medium, and long-term, their impact on the operations, strategy, and financial planning, and the resilience of the Department's strategy under different climate-related scenarios.

As part of its commitment under the third National Adaptation Programme the Department carried out an initial assessment of the physical risks of climate change. The results show that education service delivery and the education estate are at risk from overheating and flooding, the potential impacts of which have been quantified. For details, see the Impact of UK climate change risk on the delivery of education,[47] published by the Department in 2025.

We have also identified transition risks, linked to the move to a lower-carbon, climate-resilient economy. Two potentially significant risks for the education estate are the cost of preparing for a net zero energy system and the cost of adapting to climate change. These risks have not yet been quantified, but Table 35 and Table 39 summarise the potential impacts of physical risks and transition risks respectively.

44 https://www.gov.uk/government/publications/sustainability-and-climate-change-strategy/sustainability-and-climate-change-a-strategy-for-the-education-and-childrens-services-systems
45 https://www.sustainabilitysupportforeducation.org.uk/
46 https://www.educationnaturepark.org.uk/
47 https://www.gov.uk/government/publications/impact-of-uk-climate-change-risk-on-the-delivery-of-education

Physical risks

Our assessment shows significant risk to education from flooding and indoor overheating. The impacts on the Department differ for each physical risk. Flooding is primarily a financial risk, whereas overheating is primarily a delivery risk.

Flood risk analysis conducted by the Environment Agency shows roughly a quarter of all state-funded schools are already at high risk of flooding (where there is more than a 1 in 30 chance of water entering the building in any given year), with more than three quarters of the estate at some risk of flooding. See Table 36 for details.

The current flood risk analysis does not account for climate change, and the assessment should be regarded as short-term. Future warming under 2°C and 4°C scenarios is expected to increase the number of schools at risk and the Department plans to quantify this ahead of next year's return.

Overheating risk analysis conducted by the Met Office and University College London shows overheating in classrooms to be a significant risk to education. There are two distinct types of overheating:

- extreme overheating events (where indoor temperatures go above 35°C)
- cumulative loss of learning from chronic overheating (where moderately raised indoor temperatures affect cognitive performance throughout the year)

The global warming scenarios in Table 37 and Table 38 indicate the short, medium and long-term risk of overheating. Under the global warming level pathways identified by the Climate Change Committee, a 2°C warming scenario is expected by the 2050s under all pathways (medium-term). If current global net zero policies are delivered, a 4°C scenario could be avoided, but it is still possible by the 2100s (long-term).

Transition risks

The Department faces significant risk in relation to the transition to net zero. Much of the education estate relies on burning natural gas for heating and hot water. Net zero involves the phasing out of gas by 2050, therefore the education estate must fully transition to alternative heat sources by then.

Adaptation to climate change

Overheating is also subject to transition risk. Where overheating and flooding pose physical risks to education service delivery and the education estate, adapting the highest-risk buildings to prevent flooding is expected to save money, but it requires significant investment. As global warming increases, the number of sites at risk is likely to rise, along with the need for adaptation.

Table 39 provides more information on the potential impacts of transition risks.

Opportunities

In addition to the risks there may also be opportunities and benefits that arise from the response to climate change.

Some climate adaptations have co-benefits. For example, flood protections on education sites, such as sustainable drainage systems, can also protect the wider community from flooding, and other green infrastructure (including natural shading and nature restoration) can improve biodiversity and help reduce the urban heat island effect.

In the case of the net zero transition, the scale of the education estate is such that it could contribute significantly to the development of the decarbonisation market, growing a skilled workforce and supply chains that would benefit the transition of the wider economy.

The net zero transition may also protect education settings from energy price spikes caused by volatile international gas markets, where gas boilers have been replaced with alternative heating solutions such as heat pumps.



Forward look

Transfers of function

The September 2025 adult skills MoG took financial effect on 1 April 2026. From then, reporting financial outcomes of adult skills activities, SE, CITB and ECITB transferred to DWP. As this crossed departmental boundaries, DfE Group to DWP Group, the transfer will be accounted for using the transfer by merger approach. The activities transferred will be removed from next year's ARA with a restatement of prior years in that ARA.

On 1 April 2026, LocatED closed and its activities, assets and liabilities transferred to the Department. Since the transfer occurred within the DfE Group, it will be accounted for using the transfer by acquisition approach. The Department will recognise activities, assets and liabilities from 1 April 2026 onwards, with no restatement of prior periods.

Note 29.3 provides more detail on the net assets transferred from both transfers.

Internal re-organisation

After Jane Cunliffe's departure in May 2026, the Permanent Secretary made a targeted change in the Department's structure to reflect the growing importance of digital, data and AI on ourselves and the sectors we support.

A new Digital and Infrastructure Group, led by Ian Knowles as Interim Director General, launched in May 2026. The group brought together:

- digital, data and technology functions
- cross-cutting analytical teams under the Chief Analyst and with our Chief Scientific Advisor
- education estates, delivering our long-term strategy across the estate including rebuilding through the school rebuilding programme

The second part of the change created a Strategy and Operations Group, under Tony Foot (who will also take on the Chief Operating Officer role), covering key corporate functions across our strategy, delivery, resources and people.

Student loan interest cap

On 7 April 2026 the Department announced[48] that the interest rate applied to Plans 2 and 3 student loans in academic year 2026/27 will be capped at 6% rather than up to RPI+3%. As RPI for March 2026 was 4.1%, the uncapped maximum would have been 7.1%.

This change was made before student loan interest rates for the next academic year were confirmed. Student loans interest is set for each academic year (1 September to 31 August) using the previous RPI value (in this case, March 2026).

48 https://www.gov.uk/government/news/interest-rate-cap-introduced-to-protect-plan-2-borrowers

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 (such as possible impacts of the ongoing US-Iran conflict) has continued since the year end with economic measures remaining weak.

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 made to the carrying values of student loans. Whilst we have 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.

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 2025 set departmental budgets out to the end of 2028-29. 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

9 November 2026





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 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 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 how they support the achievement of the Department's objectives.

Directors' report

Ministers and the Board

Membership of committees and attendance is provided in Department's governance structure.

Education ministerial team at 31 March 2026



Rt Hon Bridget Phillipson MP
Secretary of State for Education

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



Rt Hon Baroness Smith

Minister of State for Skills
(joint role with DWP from
16 September 2025)

Responsible for:

- Group bodies: SE, CITB, ECITB, OfS and SLC
- technical qualifications (including T Levels) and higher technical education (levels 4 and 5)
- adult education, including basic skills and combined authority devolution
- careers advice and support for young people who are NEET
- apprenticeships, including the growth and skills levy
- TECs
- Local Skills Improvement Plans
- governance, intervention and accountability of further education colleges
- funding for education and training, provision and outcomes for 16 to 19-year-olds
- FE funding, financial stability and workforce
- access to higher education, participation and lifelong learning, the student experience and student finance
- international education



Georgia Gould MP

Minister of State for School Standards
(from 6 September 2025)

Responsible for:

- Minister for the Board
- Group bodies: STA, TRA, Oak and STRB
- school improvement, intervention and inspection (including links with Ofsted)
- regional improvements for standards and excellence
- SEND and high needs, and AP
- initial teacher training and incentives
- teacher retention including the early career framework
- school governance
- school leadership, teacher pay and pensions, and school support staff
- core school funding
- pupil premium
- qualifications (including links with Ofqual)
- curriculum and assessment and creative education
- access to sport, arts and music in education, working with other departments
- admissions
- faith schools
- school transport



Josh MacAlister MP

Parliamentary Under Secretary of State for Children and Families (from 7 September 2025)

Responsible for:

- Group bodies: CCO, LocatED and SWE
- CSC, including workforce
- children in care and children in need
- looked-after children
- child protection
- adoption
- kinship care and foster care
- care leavers
- unaccompanied asylum-seeking children
- single unique identifier for children
- local authority improvement
- family support
- safeguarding
- prevention of serious violence in schools and post-16 settings
- counter extremism in schools and post-16 settings
- maintenance and improvement of the education estate
- environmental sustainability in the education sectors



Olivia Bailey MP

Parliamentary Under Secretary of State for Early Education (from 7 September 2025)

Responsible for:

- Group bodies: none
- early years education including children with SEND
- childcare and the home learning environment
- early years workforce
- early communication skills and early intervention
- BSFHs and parenting
- school food, including free school meals
- holiday activities and food programme
- school attendance
- mental health support in schools
- behaviour, preventing bullying and exclusions in schools
- school uniforms
- independent schools
- use of data, digital technology and AI in education

Women and equalities ministerial team at 31 March 2026



Rt Hon Bridget Phillipson MP

Minister for Women and Equalities

Responsible for:

- promoting equality of opportunity for everyone, and reducing negative disparities
- strategic oversight of government's equality policy, for women, ethnicity and LGBT (Lesbian, Gay, Bisexual, Transgender)
- sponsorship of the Social Mobility Commission and Equality and Human Rights Commission
- overview of the overarching equalities legislative framework, including the Equality Act



Rt Hon Baroness Smith

Minister of State for Women

Responsible for:

- Group bodies: none
- lead policy responsibility for gender equality and women's rights
- sponsorship of the Equality and Human Rights Commission and Social Mobility Commission
- UK equality framework (including the Equality Act)
- equality data and analysis
- socio-economic opportunity
- race and ethnicity policy
- Employment Rights Bill (Department for Business and Trade lead)



Olivia Bailey MP

Parliamentary Under Secretary of State for Equalities
(from 7 September 2025)

Responsible for:

- Group bodies: none
- LGBT+ legislation including conversion practices
- LGBT+ policy



Seema Malhotra MP

Parliamentary Under Secretary of State for Equalities

Responsible for:

- Group bodies: none
- race and ethnicity elements in equality legislation
- race and ethnicity policy



Rt Hon Sir Stephen Timms MP

Parliamentary Under Secretary of State for Equalities

Responsible for:

- Group bodies: none

Our management at 31 March 2026

Executive members



Susan Acland-Hood

Permanent Secretary
Accounting Officer

Appointment: September 2020



Gila Sacks

Director General, Families Group

Appointment: 1 October 2025



Julia Kinniburgh

Director General, Schools Group

Appointment: December 2022



Sinead O'Sullivan
Interim Director General, Skills Group
Appointment: 19 January 2026



Jane Cunliffe
Chief Operating Officer
Director General, Operations and Infrastructure Group
Appointment: November 2022
Resignation: 4 May 2026



Tim Coulson
Director General, Regions Group
Appointment: 15 September 2025



Tony Foot
Director General, Strategy Group
Appointment: March 2023

Julia Kinniburgh transferred roles from Director General, Skills Group to Director General Schools Group on an interim basis from 19 January 2026. Her appointment date above is when she was appointed to the Skills Group Director General role.

Non-executive members



Sir Kevan Collins
Lead Non-executive Board Member
Appointment: February 2025



Sir Peter Bazalgette
Appointment: May 2022



Stuart McMinnies
Appointment: May 2022



Margaret Casely-Hayford
Appointment: March 2025



Steve Crocker
Appointment: March 2025



Naomi Eisenstadt
Appointment: March 2025



Rebecca George
Appointment: March 2025

Changes in the reporting year

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

Ministers

- Minister of State for School Standards
  - Catherine McKinnell MP to 6 September 2025
  - Georgia Gould MP from 6 September 2025
- Parliamentary Under Secretary of State for Children and Families
  - Janet Daby MP to 7 September 2025
  - Josh MacAlister MP from 7 September 2025
- Parliamentary Under Secretary of State for Early Education
  - Stephen Morgan MP to 7 September 2025
  - Olivia Bailey MP from 7 September 2025
- Parliamentary Under Secretary of State for Equalities
  - Dame Nia Griffith MP to 7 September 2025
  - Olivia Bailey MP from 7 September 2025

Non-executive board members

- Jack Boyer to 31 May 2025

Officials

- Director General, Regions Group
  - John Edwards to 22 June 2025
  - Claire Burton from 13 June 2025 to 14 September 2025 (Interim Director General)
  - Tim Coulson from 15 September 2025
- Director General, Families Group
  - Justin Russell to 30 September 2025
  - Gila Sacks from 1 October 2025
- Director General, Schools Group
  - Juliet Chua to 18 January 2026
  - Julia Kinniburgh from 19 January 2026
- Director General, Skills Group
  - Julia Kinniburgh to 18 January 2026
  - Sinead O'Sullivan from 19 January 2026 (Interim Director General)

Changes after the reporting year

The following changes in board-level appointments occurred after the year end but before approval of this ARA:

Ministers

- Secretary of State for Education
  - Rt Hon Bridget Phillipson MP to 20 July 2026
  - Rt Hon Lucy Powell MP from 20 July 2026
- Parliamentary Under Secretary of State for Early Education
  - Olivia Bailey MP to 22 July 2026
  - Paul Waugh MP from 22 July 2026
- the equalities ministerial team transferred to MHCLG on 22 July 2026

Officials

- Jane Cunliffe to 4 May 2026, Chief Operating Officer and Director General, Operations and Infrastructure Group
- Tony Foot, from 4 May 2026 became Chief Operating Officer and Director General, Strategy and Operations Group
- Director General, Digital and Infrastructure Group
  - Ian Knowles from 5 May 2026 to 13 September 2026, Interim Director General
  - Hany Shoukry from 14 September 2026
- Sinead O'Sullivan, from 22 June 2026 appointed Director General, Skills Group
- Julia Kinniburgh, from 22 June 2026 her role as Schools Group, Director General was made permanent
- Permanent Secretary
  - Susan Acland-Hood, to 19 November 2026
  - Simon Ridley, from 20 November 2026

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-level 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[49] annually alongside the ARA.

49 https://www.gov.uk/government/collections/dfe-annual-reports

Details of directorships and other significant interests held by ministers are set out in the Register of Members' Interests[50] for MPs and the Register of Lords' Interests.[51]

Data management

There were three personal data breaches this year 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. For two of the breaches reported, ICO issued the Department with recommendations in relation to them. For the third, ICO decided no further regulatory action was required.

Table 8: Number of data management incidents for the last five years

	2025-26	2024-25	2023-24	2022-23	2021-22
Number of incidents	3	5	8	2	7

Group spending

Remuneration paid to auditors for non-audit work

The Comptroller and Auditor General conducted the audit of the Group and its component entities, except for Aggregator which was audited by Forvis Mazars LLP. £570,000 (prior year: £nil) has been accrued for non-audit work by the National Audit Office (NAO) in relation to the agreed upon procedures review of SARA. No other non-audit fees were paid to auditors in either of the years reported.

Political donations and sponsorship

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

Research spending

Table 9: Research spending for the last five years

	2025-26	2024-25	2023-24	2022-23	2021-22
	£m	£m	£m	£m	£m
Department	27.0	27.8	27.3	29.3	19.9
Agencies	0.3	0.1	0.1	–	0.1
NDPBs	1.7	1.3	1.1	0.3	0.3
Total	**29.0**	**29.2**	**28.5**	**29.6**	**20.3**
Of which:					
central research	15.9	16.7	16.2	21.1	7.0
policy units and policy evaluation research	13.1	12.5	12.3	8.5	13.3

50 https://www.parliament.uk/mps-lords-and-offices/standards-and-financial-interests/parliamentary-commissioner-for-standards/registers-of-interests/

51 https://members.parliament.uk/members/lords/interests/register-of-lords-interests

Strategy Group manages the central research budget that funds the majority of our social and economic research, including evaluation, shaping policy delivery. Investment prioritises strategic longitudinal studies such as the Education and Outcomes Panel Studies and the Study of Early Education and Development. This is complemented by international benchmarking programmes, providing comparative evidence across education systems. High-quality evidence and robust evaluation help target policies and ensure value for money.

Strategic tools, such as omnibus surveys, are used in place of multiple smaller research projects and we continue to build in-house capacity.

A strong governance and approvals process ensures alignment with the government's priorities, useable outputs and proportionate, value for money methods. While overall research spend is broadly stable, the balance has shifted from centrally funded research to policy funded evaluation. This reflects desire to embed evaluation in policy design, improving data efficiency, reducing burden on settings and staff, and strengthening findings.

Further details on our research activity and our research publications[52] are available.

Financial instruments and exposure to risk

As the cash requirements of the Group are met from the Consolidated Fund, through Parliamentary Supply, financial instruments play a more limited role in risk management than in a comparable non-public sector body. However, the Department's student loan portfolio remains a source financial instrument risk. Further details are set out at note 13.

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.

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 NDPBs designated by order made under the GRAA by Statutory Instrument 2025 no 268 (together known as the 'Departmental Group', consisting of the Department and sponsored bodies listed at note 28 to the accounts). 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 and in particular to:

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

- observe the Accounts Direction issued by HMT, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- ensure that the 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 Government Financial Reporting Manual 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 annual report and accounts 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 NDPBs as accounting officers of those bodies. The Accounting Officer of the Department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the Department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the accounting officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

The responsibilities of an accounting officer, including responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable, for keeping proper records and for safeguarding the assets of the Department or NDPB 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.

I confirm that the ARA as a whole is fair, balanced and understandable. I take personal responsibility for the ARA and the judgements required for determining that they are fair, balanced and understandable.

Governance statement

This 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.[53] Details for individual Agencies and NDPBs are contained in the governance statements of their respective ARAs.

Lead Non-executive Board Member's foreword



This year has been a significant period for the Department, marking the second year of the government's Plan for Change marked by an increasing attention on the delivery of Opportunity pivoting from strategy to delivery. The focus has shifted to achieving tangible impact, with colleagues remaining committed to removing barriers to opportunity and improving educational and life outcomes for children, young people and adults across England.

Throughout this reporting period, the Board has remained focused on its strategic and operational leadership responsibilities. We have provided advice and challenge on various topics including departmental strategy, risk management and performance reporting. The Board's discussions have been aligned with the Group structure, ensuring our efforts and energy are directed towards achieving the Department's key objectives.

Key activities this year included:

Strategy and delivery

The Board has remained focused on ensuring the delivery of opportunity and received regular updates on pillars owned by the Department. We have continually focused on ensuring progress against outcome targets and delivery of key programmes of work. We took stock at the end of 2025 to review lessons learned and ensure the challenges for the first quarter of 2026 were appropriate and supported with a clear and resourced action plan.

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

Performance reporting

Utilisation of the cross-government dashboard to review performance against delivery metrics has been a regular feature at our meetings.

Skills, Schools, Families and Regions Groups

We have provided strategic steer and challenge on critical areas of the Department's work including the approach to disadvantage, the schools and skills white papers and the SEND reform consultation. We have also considered Regions Group re-prioritisation, children's outcomes and local partnership working.

Operations and Infrastructure Group

Financial updates were a regular feature of our meetings where we discussed budgetary responses, financial pressures and planning, and opportunities for efficiencies. We discussed in detail business planning for the next financial year and considered efficiencies which could be achieved through greater use of AI and automation.

Board performance and effectiveness

A light touch evaluation of the Board's effectiveness was conducted to review our work following the significant turnover of non-executive board members. An externally led evaluation of the Board's 2025-26 performance will take place in 2026-27. Non-executive board members have continued to provide independent support, advice and challenge across the Pillars and Departmental business groups. The assessment found generally positive views on governance, roles, skills of committee members and challenge. Identified areas for improvement will be fed into the 2026-27 externally led review.

This year saw one change to our non-executive board member cohort with the departure of Jack Boyer. I extend my gratitude to Jack for his contributions during his tenure which ended in May 2025. The Board met six times in the reporting period with active participation from all members. My sincere thanks go to my fellow non-executive board members, the Secretary of State, junior ministers and the executive Leadership Team for their dedication and hard work.

In September 2025, the Department welcomed Olivia Bailey MP as Minister for Early Education, Josh MacAlister OBE MP as Minister for Children and Families and Georgia Gould OBE as Minister for School Standards. Minister Gould replaced the Rt Hon Baroness Smith of Malvern as Minister for the Board. The Rt Hon Bridget Phillipson MP remained in post as Secretary of State and Chair of the Board, and the Rt Hon Baroness Smith of Malvern continued in her role as Minister for Skills which since September 2025 has been a joint ministerial appointment with DWP.

The Board oversaw the creation of Skills England which was formally launched in June 2025 with the aim of creating a world class skills system to drive growth and opportunity. The functions of IfATE were formally transferred back into the Department or transferred to Skills England, and the Board oversaw the repatriation of LocatED (in April 2026) into the Department and handed across proposals to consider the transfer of the industry training boards (ECITB and CITB) and the sponsorship of Skills England to DWP as part of machinery of government changes.

As we look ahead, I am confident that the Department will continue to make significant strides in achieving its goals, supported by the strong governance and leadership structures we have in place.

Sir Kevan Collins
Lead Non-executive Board Member

9 November 2026



How we are structured

As the Permanent Secretary and Accounting Officer, I am responsible for reviewing the effectiveness of the Group's systems of internal control. This is informed by the senior management team (including accounting officers for Agencies and NDPBs, who are responsible for maintaining their own control frameworks), ARC's oversight, the Government Internal Audit Agency (GIAA) and comments from NAO in its management letter and other reports.

I require each director to complete an annual assurance return covering risk management, related controls in their area, and use of allocated resources. As the next cycle is after this ARA is published, I rely on exception reports to cover the period from the year end to the publication date.

My Leadership Team and I receive regular reports on risk stewardship providing assurance that Group funds are used as voted by Parliament, in line with propriety and regularity rules, and with due regard for value for money. The main findings are summarised in this statement.

In addition, ARC provides independent support and challenge on the Department's governance, risk management and internal control and assurances.

Other assurance sources include accounting officers of our Agencies and NDPBs, local authority chief finance officers (via section 151 returns of the Local Government Finance Act 1972), academy trust and further education college accounting officers, and Ofsted. These accounting officers report to me on the probity and appropriateness of Group funding allocated to them.

The Board and its sub-committees receive management information to monitor Group performance. This includes financial and workforce data, progress of indicators against the Departmental priorities and risk information. The senior executive team, challenged by other board members, continually reviews information quality to support evidence-based decision making.

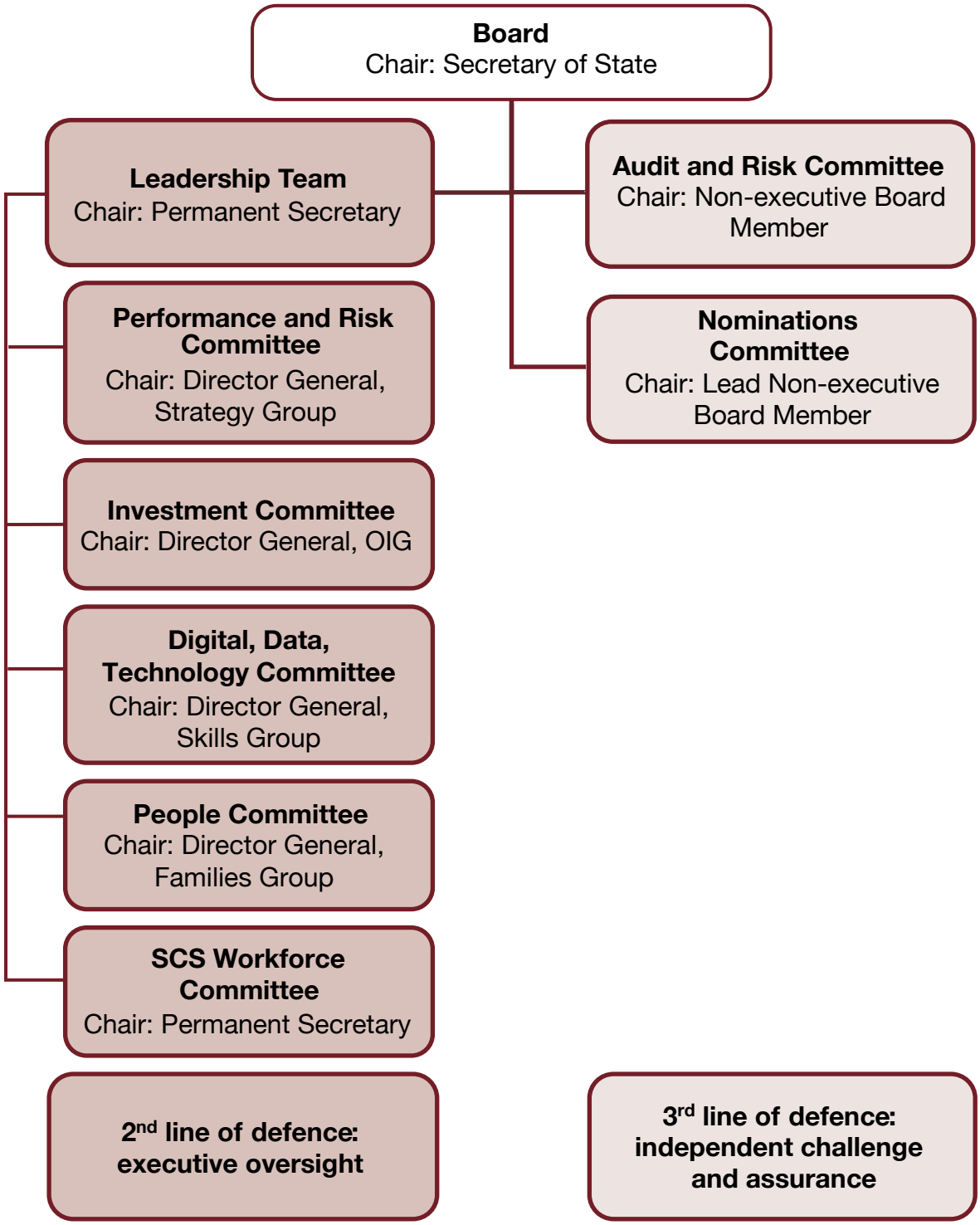
Department's governance structure

The content below describes the Department's governance arrangements for this financial year, unless otherwise stated. Ministerial changes as noted in the Lead Non-executive Board Member's foreword are also reflected.

Figure 20 presents the governance structure, with chairs of the Board and its committees being those in post at the year end.



Figure 20: The Board and its sub-committees



Committee attendance data is presented after the committee performance reports. In the following commentary, we distinguish between meeting attendees who are members and those who are observers. Observers are not committee members but are asked to attend to support discussions. Named members are in addition to the Chair. Individuals named, including Chairs, are those in post at the year end.

Board

Role

The Board sits at the top of the Department's governance structure, providing strategic leadership, collective oversight and assurance. It supports the Secretary of State and Permanent Secretary to lead the Department effectively and draws on members' breadth of expertise, including independent and non-executive perspectives, to offer informed advice and constructive challenge. On 22 September 2025 Minister Gould replaced the Rt Hon Baroness Smith of Malvern as Minister for the Board.

Chair: Rt Hon Bridget Phillipson MP
Secretary of State

Observers: All other ministers and directors general have a standing invitation to attend

Members: Minister for the Board
Permanent Secretary
Chief Operating Officer
Director General, Strategy Group
Non-executive Board Members

Meetings in the year: 6

Main activities

Discussions focused on:

Strategy and delivery

The Board reviewed, challenged and supported the development of key strategies and programmes for opportunity and growth. There was a strong focus on the skills and schools white papers, and the Giving Every Child the Best Start in Life strategy. The Board also reviewed plans and progress for Keeping Children Safe, alongside supporting strategies including the attainment action plan and renewing fostering action plan. Members provided scrutiny and advice as these strategies were developed and moved into implementation.

The Board received updates on the Department's cross-cutting approach to understanding and tackling disadvantage, including to support the development of the Child Poverty Strategy. The Board was presented with an overview of the 2025 exam results at key stage 3 and above.

Reviewing progress

The Board reviewed delivery achievements and challenges one year on from the 2024 General Election. In February 2026 it considered a forward look of strategic delivery plans for the year ahead.

Finance

The Group's financial position was considered each quarter. In addition, Board members discussed the spending review and business planning, and reflected on the Group's budget in response to each budgetary statement from HMT. The Board discussed opportunities for efficiencies and the financial pressures experienced across sectors and within the Group.

The Board also received an overview of AI technologies the Department is exploring to enhance productivity and support innovation.

Non-executive board members

Non-executive board members took part in meetings outside of the Board and remained aligned with the Department's six operational groups, providing independent support, advice and challenge.

Managing conflicts of interest

At the start of each board meeting, members declare any new conflicts of interests. The register of interests is published separately to this ARA. Non-executive board member interests are gathered twice-yearly, in line with Cabinet Office (CO) guidance. The process is replicated in the Board's sub-committees.

We publish further information[54] from board meetings.



54 https://www.gov.uk/government/publications/dfe-senior-management-meetings

Leadership Team

Role

The Leadership Team provides day-to-day executive leadership and management on behalf of the Board, focusing on departmental management, transformation and performance. Figure 20 shows the five sub-committees that support it.

Chair: Susan Acland-Hood
Permanent Secretary and
Accounting Officer

Observers: Director of Strategy and Delivery
Director of Human Resources
Chief Scientific Advisor

Members: Directors General

Meetings in year: 10

Main activities

Discussions focused on:

Finance

Reviewing the organisation's financial health, including business planning and spending review preparation. In addition, workforce affordability was regularly considered.

Organisational changes

Updates on and discussions of the changes needed to meet the Department's commitments to deliver the productive and agile state agenda and the target reduction in administration budgets over the spending review period.

Performance, delivery and risk

Performance and Risk Committee updates considered cross-cutting departmental challenges, risks and performance and delivery highlights. Leadership Team also held two risk workshops on the Department's top risks and issues and received an update on the stakeholder engagement approach to support delivery of opportunity and growth.

People leadership

Updates from the People Committee covered the PSP, location strategy, staff survey responses, workforce planning and performance management.

Data, Digital and Technology

Updates from the Data, Digital and Technology Committee and discussion of AI adoption in the Department.

Strategy development

Updates on the development of key strategies, including the skills and the schools white papers, and the Best Start in Life strategy.

Lessons learned

Updates on pandemic preparedness, lessons learned from work to address RAAC in school and college buildings, and embedding lessons learned from public inquiries and preparation for the 2025 Spending Review.

Audit and Risk Committee

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 the Department's ARA. The Chair provides an annual report to the Accounting Officer and Departmental Board.

Chair: Stuart McMinnies
Non-executive Board Member

Members: five independent members

Meetings in the year: 6

Observers: GIAA (internal audit)
NAO (external audit)
Permanent Secretary
(as Accounting Officer)
Chief Operating Officer
Director of Operational Finance
Director of Strategic Finance
Director of Strategy Group
Chief Risk Officer

Main activities

Discussions focused on:

Membership

Janette Campbell, Pamela Chesters and Gavin Robert were appointed as independent ARC members following the end of terms for Emir Feisal, Charlotte Moar and Harjit Sandhu.

Zoe Lewis, a non-executive board member of Skills England, sits on ARC as part of ARC's oversight responsibilities and will continue until Skills England transfers to DWP from 1 April 2026.

Internal audit

The committee considered GIAA's internal audit plans and the outcome of audits on specific areas of the Department. It also discussed audit programme delivery and next year's audit planning approach, including alignment to organisational priorities.

ARA oversight

The committee approved plans for producing the Group's ARA, further education finance reporting programme and SARA and supported local boards discharging responsibilities for STA, TRA, IfATE, LocatED and TPS. It monitored external audit processes through departmental and NAO updates. The committee reviewed the ARAs ahead of their laying and received regular updates on the audit and risk activity of SLC, for their role administering the student loan book. The committee will also oversee the ARA on behalf of Skills England prior to its transfer to DWP.

Risk management

The committee evaluated the effectiveness of risk management, including mitigations and contingencies. The Department's risk profile was discussed at each meeting; near misses and unexpected issues and the top-tier risk report on a quarterly basis and NDPBs' six-monthly risk report.

Key issues

The committee reviewed reports on key issues including the transfer of the TPS administrator role, corporate sustainability, IfATE's closure and Leadership Team sub-committee assurances.

In depth discussions

Pre-meeting workshops covered departmental resilience, fraud, whistleblowing, cyber security, the student loan book forecast, benefits management, value for money of university degrees with external providers, and funding and financial oversight.

Nominations Committee

Role

The Nominations Committee is an advisory committee of the Board, providing assurance and input to key decisions and processes. Its purpose is to scrutinise the Department's strategies and plans for talent management, succession planning, capability building, Board appointments, public appointments, senior performance management and incentives and rewards. It advises on whether the Department's senior people-related processes are effective in helping the organisation to achieve its goals.

Chair: Sir Kevan Collins
Lead Non-executive Board Member

Members: Non-executive Board Members
Permanent Secretary
Director of Human Resources

Meetings in year: 2

Main activities

Discussions focused on:

- regular updates on public appointments, including those with our Agencies and NDPBs
- the timelines associated with making decisions regarding public appointments
- continued focus on improving public appointment diversity numbers
- director general succession planning including the assurance that it was aligned with CO guidance
- senior civil service (SCS) pay guidance including guidance on pay rises

Attendance records

The following tables present member attendance at meetings throughout the year. Not all members were in post throughout the year. To improve transparency, we have provided attendance values as well as the number of meetings available to members to attend. Where individuals are not members of a committee 'NM' has been presented which means 'non-member'. In the following tables no absence is recorded where committee members have deputised staff to cover for them.

Chairs

	Board	Leadership Team	Audit and Risk Committee	Nominations Committee
	Rt Hon Bridget Phillipson MP	Susan Acland-Hood	Stuart McMinnies	Sir Kevan Collins

Ministers

	Board	Leadership Team	Audit and Risk Committee	Nominations Committee
Rt Hon Bridget Phillipson MP	5 out of 6	NM	NM	NM
Rt Hon Baroness Smith	3 out of 3	NM	NM	NM
Georgia Gould MP	1 out of 3	NM	NM	NM

Non-executive board members and independent ARC members

	Board	Leadership Team	Audit and Risk Committee	Nominations Committee
Non-executive board members				
Sir Kevan Collins	6 out of 6	NM	NM	2 out of 2
Stuart McMinnies	6 out of 6	NM	6 out of 6	2 out of 2
Sir Peter Bazalgette	3 out of 6	NM	NM	2 out of 2
Jack Boyer	1 out of 1	NM	NM	0 out of 0
Margaret Casely-Hayford	6 out of 6	NM	NM	2 out of 2
Steve Crocker	6 out of 6	NM	NM	1 out of 2
Naomi Eisenstadt	6 out of 6	NM	NM	2 out of 2
Rebecca George	5 out of 6	NM	NM	2 out of 2
Independent ARC members				
Alastair Murray	NM	NM	5 out of 6	NM
Charlotte Moar (to 6 April 2025)	NM	NM	0 out of 0	NM
Emir Faisal (to 31 August 2025)	NM	NM	2 out of 2	NM
Harjit Sandhu (to 9 July 2025)	NM	NM	2 out of 2	NM
Janette Campbell (from 20 May 2025)	NM	NM	6 out of 6	NM
Pamela Chesters (from 1 September 2025)	NM	NM	4 out of 4	NM
Zoe Lewis (from 1 September 2025)	NM	NM	2 out of 4	NM
Gavin Robert (from 1 September 2025)	NM	NM	3 out of 4	NM

Senior officials

	Board	Leadership Team	Audit and Risk Committee	Nominations Committee
Susan Acland-Hood	5 out of 6	10 out of 10	NM	2 out of 2
Justin Russell	NM	5 out of 5	NM	NM
Gila Sacks	NM	5 out of 5	NM	NM
Juliet Chua	NM	7 out of 7	NM	NM
Julia Kinniburgh	NM	10 out of 10	NM	NM
Sinead O'Sullivan	NM	3 out of 3	NM	NM
Jane Cunliffe	6 out of 6	10 out of 10	NM	NM
John Edwards	NM	2 out of 2	NM	NM
Claire Burton	NM	2 out of 2	NM	NM
Tim Coulson	NM	6 out of 6	NM	NM
Tony Foot	6 out of 6	10 out of 10	NM	NM
Naomi Ramsay	NM	NM	NM	2 out of 2

Managing our risks

To help ensure we achieve our priorities, we manage risks at all levels across the Department. Risk management is embedded in how we work, from operational decision making and project delivery to the management of strategic risks reported in our principal risk reporting.

Risk and issue management framework

Our approach to risk and issue management devolves accountability to those best placed to effectively manage risks at the appropriate level.

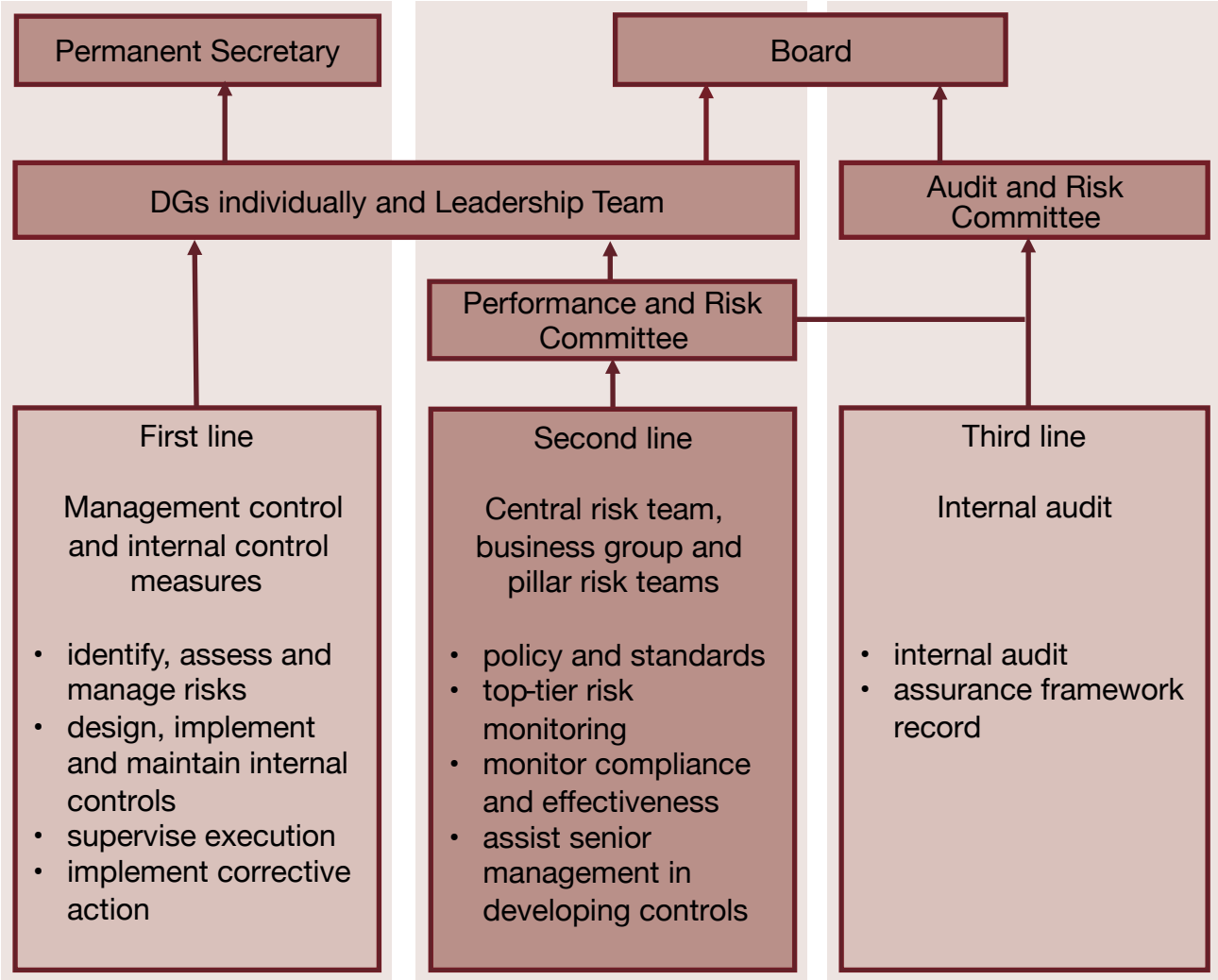
Our chief risk officer and central risk team provide expert advice and guidance. The team is responsible for the implementation of the Department's risk management framework and co-ordinates our principal, or top-tier, risk reporting. This is the route by which the most significant risks are escalated 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 risk team is responsible for collating and reporting near misses and unexpected issues, ensuring measures are introduced to reduce the likelihood of issues reoccurring.

Risk assurance

Figure 21 describes the three lines by which the Department assures risk management activity.

Figure 21: The three lines of risk assurance



The Department's risk management framework and assurance framework align with the government's Orange Book and wider best practice.

Performance and Risk Committee and Leadership Team

Top-tier risks, near misses and unexpected issues are tabled and discussed at Performance and Rick Committeee (PRC) as part of second line assurance. Where required, risk management information is escalated to Leadership Team. Further assurance is provided by the central risk team and relevant business group or pillar risk teams on the committee's behalf.

Audit and Risk Committee and Board

ARC reviewed our risk management policies, processes and the robustness of our recorded risks on behalf of the Board. Ministers and non-executive board members also receive separate risk briefings and information, where required.

Assurance framework record

The Department has completed an annual assessment of assurance arrangements through the assurance framework record. Directors' self-assessments provide assurance across 12 key areas including risk management, governance, financial acumen and controls, with four assurance levels from unsatisfactory to substantial. The record aligns with the Department's risk management framework and highlights opportunities and areas requiring additional support.

Changes introduced last year are now embedded. We continued to include subject matter expert ratings at departmental and director levels as a benchmark for assessing responses. Experts also provided feedback and challenge questions on returns, informing a sample of face-to-face validation meetings. These meetings were held; with a couple attended by non-executive board members, who provided additional insight and challenge.

The results show high assurance across strands, with mostly substantial or moderate ratings; director assurance in the Finance and Commercial strands remained strong. Ratings were supported by strand lead assessments.

These findings feed into group-level reports that provide targeted feedback and a dashboard for directors to track progress, benchmark performance and support continuous improvement.

Assurance compliance framework

The Department has established an assurance compliance framework (ACF), developed in accordance with HMT's assurance frameworks guidance.[55] Endorsed by ARC and embedded across the organisation, the ACF provides a structured, consistent approach to meeting corporate obligations, based on the three lines of defence model.

The Department's risk management framework and assurance framework record are aligned with HMT's framework and relevant government functional standards. This gives senior leaders a department-wide view of assurance activity and coverage against key risks and compliance requirements. GIAA also used the ACF to shape its annual audit plan, aligning internal audit activity with the Department's assurance needs.

Internal audit

Our internal auditors regularly review our risk management approach and the application of risk management processes are applied across operational teams, projects and programmes. ARC reviews internal audit reports and tracks completion of audit recommendations.

55 https://www.gov.uk/government/publications/assurance-frameworks-guidance

Compliance to the Orange Book

We have assessed our risk management approach against the government's Orange Book.[56] The assessment confirmed that the Department applies the main principles for risk management in government. Risk management is embedded in governance and leadership and is integral to our activities, supporting decision-making and delivery of objectives. We ensure our approach is collaborative and informed by the best available information and expertise.

We 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, 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:

- improvements to the Department's risk management digital system and increased automation of risk reporting and analysis
- continued funding of learning and development qualifications aligned with the government risk function's risk management skills and capability framework further enhancing departmental risk capability (including at SCS level)
- establishment of a department-wide risk community to drive improvements in risk management capability and maturity
- risk appetite statement refreshed with the addition of new categories
- ongoing expansion of second line assurance of top-tier risks
- continued focus on improving risk management capability and maturity across the Department, including NDPBs
- introduction of termly reporting from NDPBs improving insights for committees

Other sources of assurance

Counter fraud and error

As a department responsible for administering over £130 billion of public funds, we take our guardianship of public monies seriously. In April 2025 we brought together the Department

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

and ESFA counter fraud teams, combining experience, best practices and learning into a single team and strengthening our resource to tackle the evolving fraud and error risks.

Our vision is to:

- understand and own counter fraud risks and responsibilities, internally and across the organisations we fund
- build departmental and sector capabilities to maximise prevention
- pursue fraud and error and minimise loss across the Department and the wider education sector

Everything we do is underpinned by our commitment to protecting our people, services, reputation and the sectors we serve. This includes safeguarding public funds, maintaining trust and supporting opportunity.

Understand and acknowledge

We strengthened governance and oversight by establishing the Counter Fraud Oversight Board to provide strategic assurance and guidance on fraud and error across the Department and its associated bodies. We continued to share expertise across government through partnership with the PSFA, our involvement in the Functional Leadership Board and Community of Practice, and UK representation on the International Public Sector Fraud Forum's Fraud Risk and Threat Group.

Across the sector we strengthened fraud resilience by establishing coordinated working groups and processes to share alerts and best practice.

We assessed our counter fraud maturity as 'Established', and developed implementation plans aligned to the professional standards to guide next year's priorities.

All fraud and error is reported to the PSFA which publish its findings in their landscape report, the latest being the Cross-Government Fraud Landscape Report 2022/23 and 2023/24.[57]

Prevent

We prioritised prevention by strengthening our use of data analytics and working with other government departments to identify and address fraud risks early. Insights from fraud risk assessments, investigations and funding compliance activity reinforced a culture of continuous improvement and a preventative approach. We updated our enterprise fraud risk assessment, revised the fraud risk assessment policy, focused fraud risk management towards the Department's highest-risk areas and increased awareness and engagement across the Department and the wider education sector.

Pursue

We take the protection of public funds extremely seriously and investigate where appropriate and proportionate. Our specialist investigations and enforcement team support the counter

57 https://www.gov.uk/government/publications/cross-government-fraud-landscape-report-202223-and-202324

fraud and prevention strategies through their professional and expert support, undertaking investigations and holding to account those who misuse public funds.

NDPB risk management

Each of the Department's NDPBs has its own governance structure and embedded risk management processes to identify and manage risks. Our NDPBs work in partnership with the Department, which supports their efforts and helps manage shared risks. Each NDPB maintains a risk register that is visible to the Department.

Visibility of risk across the Group is essential for:

- identifying system-wide risks
- enabling joint efforts between NDPBs and the Department to reduce shared risks through appropriate mitigations
- identifying emerging risks
- discovering new ways to mitigate similar risks

NDPB risks are escalated to the Department via PRC, providing assurance that risks are being managed effectively, and flagging where support is needed. Risks can also be escalated through the NDPB ARC chairs network led by the Departmental ARC chair.

Government Internal Audit Agency (GIAA)

GIAA provides the internal audit services for the Department.

This year, the Group Chief Internal Auditor (GCIA) issued a 'Moderate' opinion, which indicating that some improvements are needed to strengthen the adequacy and effectiveness of the governance, risk management and control framework. The distribution of ratings across individual engagement reports is broadly consistent with the previous year and, in the GCIAs judgment, the Department has maintained an adequate system of governance, risk management and internal control. The opinion is set in the context of changes in senior personnel and portfolios and external challenges from MoG changes.

The GCIA's report also assesses assurance outcomes against the four pillars of the HMT risk control framework. Evidence underpinning all four pillars of the framework consistently supports the 'Moderate' opinion.

GIAA found governance arrangements to be adequate and effective in the areas reviewed. The risk management framework remained broadly effective, with risk management integrated into departmental governance structures and evidence of continuous improvement. The design and operation of controls was largely as expected, and there was good alignment with the functional standards that came within the scope of the GIAA work programme. GIAA also highlighted that the Department has addressed their recommendations in a timely manner, with evidence gathered to support implementation and only a small proportion of agreed target dates extended.

The GCIA referenced two areas with 'Limited' assurance opinions. These related to:

- oversight of lower tier investments
- progress towards transitioning pension administration from Capita – in particular financial reporting transactions

National Audit Office

The NAO is the UK's independent public spending watchdog. It supports Parliament in holding government to account and improving public services through statutory financial audit and reports evaluating government spending. The NAO is independent of government and the Civil Service and is overseen by the Public Accounts Commission.

Audited bodies should respond to recommendations in the NAO's published reports, which are available as a searchable recommendations tracker.[58]

Alongside value for money reports, the NAO issues management letters following completion of statutory financial audits. These identify improvements needed in controls and processes, which management review, agrees and act on.

Up to publication of this ARA, NAO published the following reports and began other reviews where the Department was the main audited body. Other reports relating to the Department are published separately.

- Teacher workforce secondary and further education[59]
  (published on 30 April 2025)
- Managing children's residential care[60]
  (published on 12 September 2025)
- Home to school transport[61]
  (published on 31 October 2025)
- Responding to changing demand for school places[62]
  (published on 22 April 2026)
- Strengthening relations with local delivery bodies[63]
  (published 21 May 2026)

NAO also published the following report where the Department was a witness and the Ministry of Justice was the lead department, which led to a Public Accounts Committee inquiry:

- Improving family court services for children[64]
  (published 21 May 2025)

58 https://www.nao.org.uk/recommendations-tracker/
59 https://www.nao.org.uk/reports/teacher-workforce-secondary-and-further-education/
60 https://www.nao.org.uk/reports/managing-childrens-residential-care/
61 https://www.nao.org.uk/reports/home-to-school-transport/?nab=1
62 https://www.nao.org.uk/work-in-progress/planning-for-school-places/
63 https://www.nao.org.uk/work-in-progress/how-the-department-for-education-works-with-frontline-services/
64 https://www.nao.org.uk/reports/improving-family-court-services-for-children/

Public Accounts Committee

The committee evaluates the value for money of government projects, programmes and service delivery. Utilising the work of the NAO, the committee holds public evidence sessions with government officials, focused on public spending and scrutinising the implementation of government policy. Subsequently, the committee produces its own reports. Audited bodies are required to respond to the committee's recommendations which are published in a Treasury minute.[65]

Below are the recent hearings, committee reports and government responses to the recommendations. Where the Department is not the lead department this is noted.

- Tackling violence against women and girls[66]
  Departmental role: witness, lead department: Home Office
  Inquiry hearing held – 17 March 2025
  Inquiry report published – 16 May 2025
  Government response published – 18 September 2025
- Introducing T Levels[67]
  Inquiry hearing held – 24 April 2025
  Inquiry report published – 27 June 2025
  Government response published – 15 October 2025
- Increasing teacher numbers: Secondary and further education[68]
  Inquiry hearing held – 19 May 2025
  Inquiry report published – 9 July 2025
  Government response published – 15 October 2025
- Improving family court services for children[69]
  Departmental role: witness, lead department: Ministry of Justice
  Inquiry hearing held – 23 June 2025
  Inquiry report published – 12 September 2025
  Government response published – 15 December 2025
- Financial sustainability of children's care homes[70]
  Inquiry hearing held – 17 November 2025
  Inquiry report published – 16 January 2026
  Government response published – 1 April 2026
- Home-to-school transport[71]
  Departmental role: witness, lead department: MHCLG
  Inquiry hearing held – 8 December 2025
  Inquiry report published – 6 March 2026
  Government response published – 21 May 2026

65 https://www.gov.uk/government/collections/treasury-minutes#treasury-minutes-2024
66 https://committees.parliament.uk/work/8824/tackling-violence-against-women-and-girls-vawg/
67 https://committees.parliament.uk/work/9044/introducing-t-levels/
68 https://committees.parliament.uk/work/9048/increasing-teacher-numbers-secondary-and-further-education/
69 https://committees.parliament.uk/work/9102/improving-family-court-services-for-children/
70 https://committees.parliament.uk/work/9276/financial-sustainability-of-childrens-care-homes/
71 https://committees.parliament.uk/work/9281/hometoschool-transport/

Regularity

Background

Regularity is the concept that departmental spending is compliant with relevant legislation and spending authorisation delegated from Parliament. Public funds must be used in accordance with the intentions of the grantor, and ultimately Parliament. Regularity reporting is a key element of Parliamentary accountability, with departments reporting against authorised spending totals as set out in SOPS. The Comptroller and Auditor General's certificate contains two opinions, one on the financial statements and another on regularity.

The Group operates under a range of statutes, primarily the Education Act 2002, Local Government Act 2003 and Children and Families Act 2014. As well as specific statutes, the Supply and Appropriation Acts set out the Department's purpose and on what we are allowed to spend by defining our 'ambit'. We must demonstrate that public funds have been used for the appropriate purposes. Whilst statutes provide the legal framework for grant payments, grants also have specific terms and conditions, including permitted uses and in some cases timeframes. Breaching these conditions constitutes irregular expenditure, falling outside Parliamentary authority. The Accounting Officer System Statement details how the system operates with local framework requirements.

The Group operates a risk-based approach to regularity, assessing risks associated with specific funding streams reviewing compliance throughout the grant life cycle. This leads to an assurance programme with assurance approaches tailored to the grant's risk.

Policy funding

Policy funding covers both grants and contractual payments to third parties delivering public services. In the Department, policy funding payments 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 classified as either capital or resource and may be formulaic, based on pre-defined calculations, or non-formulaic, often awarded through competitive or criteria-based processes. Grants have regularity risk arising from the accuracy of the calculation of formulaic funding streams.

The Group aims to follow CO's grants functional standard in the awarding and management of grants. This includes ensuring that every grant has a designated senior officer responsible, aligns with the Department's remit and objectives, is covered by legislation, and delivers the intended outcomes. The Department also engages in CO's independent, cross-government complex grants advice panel, which provides expert advice on high risk, high complexity or manifesto-related grants.

The Group's grant management processes encompass strategic planning, programme design, monitoring, fraud prevention and resource allocation, with robust controls to safeguard public funds.

Assurance requirements and arrangements

Assurance requirements vary based on the funding type, both in their legal form (grant or contract), whether they are formulaic or general, or ring fenced or non-ringfenced. Note 7 provides more details about policy funding.

Grant agreements include provisions to secure annual regularity assurance. For academic year grants which span two financial years (schools: September to August, further education colleges: August to July) independent assurance is required for both years. For lower risk programmes, lagged assurance at the end of the academic year may be appropriate.

The Department maintains a grant register and data repository, aligned with the cross-department Government Grant Information System. The register stores data and documents which demonstrate and assure the grants' regularity assurance including financial information, business case approvals, grant funding agreements, grant management plans covering assurance and sampling approach and annual assurance certifications. The register also includes a link to award-level data which allows transaction and recipient-level award data to be accessed.

The register forms the basis of the Department's risk rating and internal assurance for general grants, allowing a risk rating and reperformance of sampling processes.

The Department also employs alternative assurance arrangements such as enhanced monitoring, and sampling and pre-certification validation. Funding audits verify key inputs, like pupil census data, which underpin core funding allocations and pupil premium entitlements. The Group recovers funds where irregular spend is identified.

The Department's grant centre of excellence supports senior officers responsible and grant managers with expert training and guidance and dedicated support to ensure adherence with requirements and best practice. A key element of the guidance is the dedication intranet site which has been developed based on the six stages of the grant life cycle.

Capital funding

For formulaic grants, assurance is received on a predominately lagged basis. In addition to the work undertaken above, this is through:

- self-declaration of section 151 returns for local authorities
- the school condition allocation capital spend survey
- confirming processes are followed and comply with allocation models, including high needs, school 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

Assurance outcomes

Policy funding

A key assurance risk continues to relate to grants paid to local authorities. As in the previous year, two main issues have shaped our assessment: the historical delays in local authorities publishing their audited ARAs, and the expansion of the early years childcare programme, which forms part of the dedicated schools grant and is paid directly to local authorities.

To address the backlog of unaudited local authority ARAs, MHCLG amended the Accounts and Audit Regulations 2015, requiring local authorities to publish audited ARAs for 2024-25 by 27 February 2025. Although many local authorities met this deadline, a number of ARAs received disclaimed audit opinions, reflecting auditors' inability to complete sufficient work to provide a full opinion. At the time of our assurance report, of the 152 expected sets of ARAs, 44% had unqualified opinions, 45% had disclaimed opinions, 7% had qualified opinions and 4% remained outstanding. Where local authorities were assessed as presenting increased risk because of their ARA position or other identified control weaknesses, we sought additional assurance by reviewing and assessing other audit evidence.

The continued and significant expansion of the early years childcare programme, including the introduction of new age groups, new childcare entitlement criteria for working parents, and substantially increased funding, led us to identify this as an area of potential risk. In response, we significantly increased our assurance work in this area, focusing on local authorities' control arrangements for early years provision and carrying out additional testing through our funding audit work.

Taking both areas of assurance activity into account, we concluded that funds allocated to local authorities had been used for the purposes intended.

In arriving at our overall assurance opinion, we considered both the value of funding and our assurance opinions for each funding stream and provider type across the Department's funding programme. Of the three possible opinions; substantial, moderate or restricted, we concluded that grant-funded activity warranted an overall substantial assurance opinion and that, in all material respects, providers had applied funds for the purposes intended by Parliament.

Student loans

Assurance on the regularity of student loan payments is primarily received via GIAA's testing. GIAA's methodology has changed since last year, and for the first time we are able to split out the estimated extrapolated regularity errors for loans and grants separately. Last year the combined total for these were £327 million, and we are unable to split out for comparative purposes.

The absolute values of the extrapolated regularity errors are:

- loans – £248 million for the year, representing 1.2% of new loans issued
- grants – £20 million for the year, representing 2.5% of grants issued

Student funding support (weekend-only courses)

During the year, the Department identified that student support payments had been made to students on courses requiring attendance only at weekends. Under the Education (Student Support) Regulations 2011, such provision is classified as distance learning and does not qualify for maintenance loans or most targeted grants, except in limited circumstances, such as where distance learning is required due to disability.

The issue was identified following concerns raised in late spring 2025. The Department responded by sampling activities from a range of providers in autumn 2025. Then on 9 December 2025 a Secretary of State letter was issued clarifying eligibility criteria.

Following that letter, a number of providers made the Group aware (via SLC) over winter to spring 2026 that they had incorrectly uploaded some of their courses as in-attendance courses on SLC's systems, rather than as distance learning courses. Following which SLC wrote to all providers to identify any further misclassification of weekend learners. These payments were therefore made outside the statutory authority approved by Parliament and are considered to be irregular expenditure.

The Secretary of State wrote to the Education Select Committee[72] in May 2026 setting out the Department's response to the issue, including the steps being taken to protect students and steps being considered to prevent similar issues in the future.

Extent of expenditure

Analysis at August 2026 indicates that, in the year, payments to the identified cohort totalled approximately £355 million split as follows: loans £332 million and grants £23 million (prior year: £234 million across £219 million of loans and £15 million of grants). Currently we estimate the maximum exposure to be £700 million for loans and £48 million for grants. The maximum exposure is subject to change as more information is identified through our continuing investigations.

This figure is subject to revision as new information becomes available about affected students. There will also be payments to students in respect of previous years. Within the financial statements the Department continues to report maintenance loans in respect of weekend-only courses as student loans, consistent with the Government's decision to recover these loans overpayments through normal student finance repayments.

Regularity qualification

The Department has received a qualification on regularity in respect of these courses. As noted above these payments are irregular. Given the nature and the context of the issue the C&AG is unable to give an unqualified opinion.

72 https://committees.parliament.uk/publications/53376/documents/298505/default/

Sector delivery contracts

We incorporate into our policy funding note spend on contracts which deliver benefits to the education and children's services sectors 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 two 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 reviewed the application of our assurance processes for sector delivery contracts. Through that process, the evidence required to demonstrate regularity for some expenditure was insufficient. This did however remain below the Department's threshold for further investigation. GIAA delivered a limited assurance audit report on spend authorisation in this area and we are in the process of implementing their recommendations.

NDPB compliance with Managing Public Money

During the year one of our NDPBs did not obtain the necessary HMT approvals for their MPM losses (note A1.3).



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 use their official position, including information gained through official duties to further their own private interests or those of others.

This is reinforced in Declaration and management of outside interests in the Civil Service[73] which states that civil servants must understand the standards for managing outside interests, identify actual, potential or perceived conflicts and take appropriate action.

Civil servants

The Department's conflicts of interest policy aligns with the above requirements and guides staff working for the Department to assess conflicts. Individuals must declare any interests relevant to their role and to discuss them with their manager.

This year, the policy has been refreshed, and a centralised process introduced for staff to record any conflicts on the Department's HR system.

The policy also reflects the additional requirements for SCS set out in the Declaration and management of outside interests policy, including annual publication of secondary paid or otherwise remunerated work. Details for 2024-25[74] were published in line with requirements and information for this year will be published in due course.

Special advisers

Under the declaration of interests policy for special advisers, all special advisers have declared relevant interests or confirmed they have none. The Permanent Secretary has considered the returns and relevant interests published as follows:

Table 10: Declarable interests held by special advisers in the year

Full name	Details of interest
Vicky Salt	Ms Salt is recused from involvement in discussions or matters relating to Nacro, an independent training provider. Ms Salt is recused from involvement in discussions or matters relating to 16 to 19 independent training providers.

73 https://www.gov.uk/government/publications/declaration-and-management-of-outside-interests-in-the-civil-service

74 https://www.gov.uk/government/publications/department-for-education-dfe-senior-civil-servants-secondary-employment

Ministers

The Ministerial Code[75] sets out the standards of conduct expected of ministers. It requires them to ensure that no conflict arises, or could reasonably be perceived to arise, between their public duties and their private interests, financial or otherwise.

Ministers must provide a list of all interests that could give rise to a conflict, which is published quarterly. Staff involved in procurement for high-profile strategic contracts are advised to review the register and apply appropriate mitigations where needed.

Business appointments

In line with business appointment rules (BAR), the Department publishes the advice given on applications from senior staff[76] including special advisers. To improve transparency advice on business appointments for staff in SCS roles is published, although the rules apply to all staff.

Individuals should discuss any intended appointments or employment with their manager as early as possible, and before any commitment or announcement. They should then consider whether BAR approval is required, and if so, submit an application. Applications may be approved unconditionally, approved with conditions or rejected.

Applications from directors and above are considered by the relevant director general, the Permanent Secretary or the 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 11: 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	11	5	2	–
Number of BAR appointments submitted to the Department over the year	2	–	1	–
Number of BAR applications approved by the Department over the year	2	–	1	–
Number of BAR applications where conditions were set by the Department over the year (by grade)	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	–	–	–	–

75 https://www.gov.uk/government/publications/ministerial-code
76 https://www.gov.uk/government/publications/dfe-business-appointment-rules-advice

Corporate governance code

The Department has remained compliant with the spirit and principles of the Corporate governance code for central government departments.[77]

The code requires the board to meet at least quarterly, and the Department held six Board meetings this year.

In addition, the code of good practice expects an annual evaluation of Board's performance. A light-touch evaluation was completed in Spring 2025. Feedback was largely positive, though half of ARC members agreed that new joiners would benefit from a stronger induction. In response, the Department introduced a revised support offer and induction pack and improved the consistency of meeting papers.

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

9 November 2026

77 https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments

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). It details how 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 CO. 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 reward is reviewed and determined by the Department's SCS Workforce Committee, chaired by the Permanent Secretary and comprising members of the Leadership Team. The committee makes its decisions in line with cross-government SCS pay guidance and associated frameworks, including the limits and controls set out in the Guidance for approval of senior pay.[78]

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 CO, and the exact terms offered reflect the requirement of the post. The principles

78 https://www.gov.uk/government/publications/senior-civil-service-pay-and-reward

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.[79]

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 CO'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[80] 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.

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. Totals presented in the following tables for individuals where rounded to £000s may not cast across as the Department sums the actual values and then rounds to the disclosed values.

79 https://www.gov.uk/government/publications/civil-servants-terms-and-conditions
80 https://www.civilservicecommission.org.uk/

Ministers

2025-26

	Salary	Severance payment	Pension benefit	Total
	£	£	to nearest £1,000	to nearest £1,000
Secretary of State				
Rt Hon Bridget Phillipson MP	67,505	–	17,000	85,000
Ministers of State				
Rt Hon Baroness Smith	117,851	–	21,000	139,000
Catherine McKinnell MP				
to 6 September 2025	13,728	7,920	3,000	25,000
annualised value	(31,680)			
Georgia Gould MP				
from 6 September 2025	16,486	–	5,000	21,000
annualised value	(31,680)			
Parliamentary Under Secretaries of State				
Janet Daby MP				
to 7 September 2025	9,758	5,593	2,000	18,000
annualised value	(22,375)			
Josh MacAlister MP				
from 7 September 2025	12,679	–	3,000	16,000
annualised value	(22,375)			
Stephen Morgan MP				
to 7 September 2025	11,188	–	2,000	13,000
annualised value	(22,375)			
Olivia Bailey MP				
from 7 September 2025	12,679	–	3,000	16,000
annualised value	(22,375)			
Seema Malhotra MP				
from 6 September 2025	11,188	–	3,000	14,000
annualised value	(22,375)			
Rt Hon Sir Stephen Timms MP	–	–	–	–
Dame Nia Griffith MP				
to 7 September 2025	–	–	–	–
annualised value	(–)			

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 £93,904 (from 1 April 2025) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

In a change from last year the Department paid Seema Malhotra's salary for her equalities' ministerial role from September 2025. The change was requested by CO when the minister moved from her Home Office ministerial role to her new Foreign, Commonwealth and Development Office ministerial role in September 2025. There was no change to Sir Stephen Timm's employment status with the Department in the year.

Remuneration for the following ministers was paid by the departments named where they held other ministerial roles; further details can be found in the relevant department's published ARA:

- Rt Hon Sir Stephen Timms MP – Department for Work and Pensions
- Dame Nia Griffith MP – Wales Office
- Seema Malhotra MP – Home Office (prior year)
- Rt Hon Dame Anneliese Dodds MP – Foreign, Commonwealth and Development Office (prior year)

Salary costs reported for ministers reflect the pay received for their period of appointment as a minister. Where ministers move departments in month, the originating department will pay the full month's salary. Where ministers cease being a member of the government, their departmental salaries cease based on their leaving date.

No benefits-in-kind were paid to ministers during the year (prior year: £nil).

As shown in the table above two ministers received severance payments on leaving government. The values disclosed are the amounts paid and payable.



2024-25

	Salary	Severance payment	Pension benefit	Total
	£	£	to nearest £1,000	to nearest £1,000
Secretaries of State				
Rt Hon Gillian Keegan MP				
to 4 July 2024	17,784	16,876	4,000	39,000
annualised value	(67,505)			
Rt Hon Bridget Phillipson MP				
from 5 July 2024	49,721	–	13,000	62,000
annualised value	(67,505)			
Ministers of State				
Rt Hon Damian Hinds MP				
to 4 July 2024	8,346	7,920	2,000	18,000
annualised value	(31,680)			
Luke Hall MP				
to 4 July 2024	8,346	7,920	2,000	18,000
annualised value	(31,680)			
Rt Hon Baroness Smith				
from 5 July 2024	86,804	–	15,000	102,000
annualised value	(117,851)			
Catherine McKinnell MP				
from 8 July 2024	23,164	–	6,000	29,000
annualised value	(31,680)			
Rt Hon Dame Anneliese Dodds MP				
from 8 July 2024 to 28 February 2025	–	–	–	–
annualised value	(–)			
Parliamentary Under Secretaries of State				
Baroness Barran				
to 4 July 2024	–	–	–	–
annualised value	(–)			
David Johnston MP				
to 4 July 2024	5,895	5,593	1,000	13,000
annualised value	(22,375)			
Janet Daby MP				
from 9 July 2024	16,300	–	4,000	21,000
annualised value	(22,375)			
Stephen Morgan MP				
from 9 July 2024	16,300	–	4,000	21,000
annualised value	(22,375)			
Rt Hon Sir Stephen Timms MP				
from 8 July 2024	–	–	–	–
annualised value	(–)			
Dame Nia Griffith MP				
from 8 October 2024	–	–	–	–
annualised value	(–)			
Seema Malhotra MP				
from 8 October 2024	–	–	–	–
annualised value	(–)			

Baroness Barran did not receive remuneration for her role.

Officials

2025-26

	Salary	Bonus	Benefits -in-kind	Pension benefit	Total
	£000	£000	to nearest £100	to nearest £1,000	£000
Permanent Secretary					
Susan Acland-Hood	185-190	–	–	9	195-200
Directors General					
Justin Russell to 30 September 2025 annualised value	80-85 (170-175)	–	1,200	29	110-115
Gila Sacks from 1 October 2025 annualised value	60-65 (125-130)	–	–	63	125-130
Juliet Chua to 18 January 2026 annualised value	130-135 (160-165)	–	–	52	180-185
Julia Kinniburgh	160-165	–	–	36	195-200
Sinead O'Sullivan from 19 January 2026 annualised value	30-35 (125-130)	5-10	–	33	70-75
Jane Cunliffe	155-160	–	–	79	235-240
John Edwards to 22 June 2025 annualised value	45-50 (155-160)	–	2,600	14	60-65
Claire Burton from 16 June 2025 to 7 September 2025 annualised value	30-35 (120-125)	–	–	44	70-75
Tim Coulson from 8 September 2025 annualised value	85-90 (155-160)	–	–	33	120-125
Tony Foot	150-155		–	90	240-245

Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the alpha scheme for the period from 1 April 2015 to 31 March 2022.

Disclosures for Julia Kinniburgh cover both of her director general roles held this year for Skills Group and Schools Group.

2024-25

	Salary	Benefits -in-kind	Pension benefit	Total
			(Restated)	
	£000	to nearest £100	to nearest £1,000	£000
Permanent Secretary				
Susan Acland-Hood	180-185	–	137	320-325
Directors General				
Justin Russell	150-155	2,000	89	245-250
Juliet Chua	155-160	–	85	240-245
Julia Kinniburgh	155-160	–	103	255-260
Jane Cunliffe	145-150	–	84	230-235
John Edwards	165-170	6,600	61	230-235
Tony Foot	140-145	–	82	220-225

Justin Russell's pension benefit has been restated in the year from the previously disclosed value of £80,000.

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.

Benefits-in-kind

The monetary value of benefits-in-kind covers any benefits provided by the Department and treated by HM Revenue and Customs (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.

Pensions

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

The pension benefits of any members affected by the public service pensions remedy which were reported in 2022-23 based on alpha membership for the period between 1 April 2015 and 31 March 2022 have been reported since 2023-24 based on Principal Civil Service Pension Scheme (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 25th percentile, the median and the 75th percentile 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 year was £185,000 to £190,000 (prior year: £180,000 to £185,000). This was 3.8 times (prior year: 4.0) the median remuneration of the workforce, which was £49,143 (prior year: £46,192).

In the current year, no employees (prior year: nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £23,000 to £190,000 (prior year: £22,000 to £185,000).

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.

	2025-26		2024-25	
	Salary and allowances	Total pay and benefits	Salary and allowances	Total pay and benefits
	£	£	£	£
Band of highest paid director (£000)	185-190	185-190	180-185	180-185
Range (£000)	22-190	23-190	22-185	22-185
Upper quartile (75%)	62,336	62,336	57,222	58,122
Median (50%)	48,999	49,143	45,492	46,192
Lower quartile (25%)	42,806	42,806	37,718	38,168
	Ratio	Ratio	Ratio	Ratio
Upper quartile (75%)	3.0:1	3.0:1	3.2:1	3.1:1
Median (50%)	3.8:1	3.8:1	4.0:1	4.0:1
Lower quartile (25%)	4.4:1	4.4:1	4.8:1	4.8:1

Percentage change in the total salary and bonuses of the highest paid director and the staff average

	2025-26		2024-25	
	Highest paid director	Staff average	Highest paid director	Staff average
	% change	% change	% change	% change
Salary and allowances	2.7%	5.9%	12.3%	5.2%
Bonuses	0.0%	(25.9%)	(100.0%)	29.7%

The highest paid director did not receive a bonus for either year presented here.

Non-executive fees

	2025-26	2024-25
	£	£
Sir Kevan Collins		
from 10 July 2024	25,765	11,766
annualised value		(20,000)
Stuart McMinnies	15,000	15,000
Sir Peter Bazalgette	15,000	15,000
Margaret Casely-Hayford		
from 1 March 2025	15,000	1,250
annualised value		(15,000)
Steve Crocker		
from 1 March 2025	15,000	1,250
annualised value		(15,000)
Naomi Eisenstadt		
from 1 March 2025	15,000	1,250
annualised value		(15,000)
Rebecca George		
from 1 March 2025	15,000	1,250
annualised value		(15,000)
Jack Boyer		
to 31 May 2025	2,500	15,000
annualised value	(15,000)	
Richard Pennycook		
to 10 February 2025	–	17,217
annualised value		(20,000)
Toby Peyton-Jones		
to 28 February 2025	–	13,750
annualised value		(15,000)

Where non-executive members joined or left the Board during the year, annualised remuneration is presented in brackets. In February 2026, Sir Kevan Collins accepted an additional role as a delivery advisor to the Secretary of State. The role is two days a week and is expected to finish in August 2027. The remuneration for the role is included in Sir Kevan's fees above. Sir Kevan's annual fee for being the lead non-executive board member is £20,000, his annualised fee for the delivery adviser is £60,000.

Pension benefits

Ministers

	Accrued pension at age 65 as at 31 March 2026	Real increase in pension at age 65	CETV at 31 March 2026 or leave date	CETV at 31 March 2025 or start date	Real increase in CETV
	£000	£000	£000	£000	£000
Secretary of State					
Rt Hon Bridget Phillipson MP	0-5	0-2.5	28	12	9
Ministers of State					
Rt Hon Baroness Smith	0-5	0-2.5	49	20	19
Catherine McKinnell MP	0-5	0-2.5	10	6	2
Georgia Gould MP	0-5	0-2.5	10	6	2
Parliamentary Under Secretaries of State					
Janet Daby MP	0-5	0-2.5	8	5	2
Josh MacAlister MP	0-5	0-2.5	3	–	2
Stephen Morgan MP	0-5	0-2.5	6	4	1
Olivia Bailey MP	0-5	0-2.5	3	–	2
Seema Malhotra MP	0-5	0-2.5	11	8	2
Rt Hon Sir Stephen Timms MP	–	–	–	–	–
Dame Nia Griffith MP	–	–	–	–	–

The 2026 cash equivalent transfer value (CETV) values presented above are as at the date ministers left the Department or year end. The 2025 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.[81]

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 report).

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

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

Cash equivalent transfer value

This is the actuarially assessed 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

81 https://mypcpfpension.co.uk/

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.

The 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

2025-26

	Accrued pension at age 65 as at 31 March 2026	Real increase in pension at age 65	CETV at 31 March 2026 or leave date	CETV at 31 March 2025 or start date	Real increase in CETV
	£000	£000	£000	£000	£000
Permanent Secretary					
Susan Acland-Hood	85-90	0-2.5	1,548	1,473	(15)
Directors General					
Justin Russell (to 30 September 2025)	55-60	0-2.5	1,164	1,118	22
Gila Sacks (from 1 October 2025)	35-40	2.5-5	476	420	36
Juliet Chua (to 19 January 2026)	45-50 plus a lump sum of 95-100	2.5-5 plus a lump sum of 0-2.5	920	856	33
Julia Kinniburgh	75-80 plus a lump sum of 40-45	0-2.5 plus a lump sum of 0	1,540	1,438	15
Sinead O'Sullivan (from 19 January 2026)	50-55 plus a lump sum of 125-130	0-2.5 plus a lump sum of 2.5-5	1,175	1,135	31
Jane Cunliffe	55-60	2.5-5	957	852	49
John Edwards (to 22 June 2025)	30-35	0-2.5	469	440	10
Claire Burton (from 13 June 2025 to 14 September 2025)	40-45 plus a lump sum of 90-95	0-2.5 plus a lump sum of 0-2.5	776	737	31
Tim Coulson (from 15 September 2025)	0-5	0-2.5	37	–	30
Tony Foot	50-55 plus a lump sum of 115-120	2.5-5 plus a lump sum of 2.5-5	1,005	886	62

Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the alpha scheme for the period from 1 April 2015 to 31 March 2022.

Cash equivalent transfer value

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

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

CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

Real increase in CETV

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

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. 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, are in alpha.

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.

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[82] 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 2025 and 31 March 2026, 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

82 https://www.gov.uk/government/collections/how-the-public-service-pension-remedy-affects-your-pension

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).

Further details about the Civil Service pension arrangements can be found at www.civilservicepensionscheme.org.uk.[83]

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

				2025-26	2024-25
	Permanently employed staff	Other	Ministers	Total	Total
	£000	£000	£000	£000	£000
Wages and staff costs	629,509	35,229	273	665,011	629,418
Social security costs	86,854	–	37	86,891	68,977
Pensions costs	155,995	–	26	156,021	151,311
Sub-total	**872,358**	**35,229**	**336**	**907,923**	**849,706**
Less:					
recoveries in respect of outward secondments	(380)	–	–	(380)	(951)
capitalised staff costs	(39,135)	–	–	(39,135)	(34,211)
Total	**832,843**	**35,229**	**336**	**868,408**	**814,544**
Of which:					
Department	507,411	32,383	336	540,130	473,586
Agencies	29,712	186	–	29,898	51,489
NDPBs	295,720	2,660	–	298,380	289,469
Total	**832,843**	**35,229**	**336**	**868,408**	**814,544**

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 SoCNE.

The transfer of staff from ESFA to the Department following its closure on 1 April 2025 and between IfATE (NDPB) and Skills England (Agency) on 1 June 2025 accounts for the movement in staff costs above and FTE staff numbers below.

83 https://www.civilservicepensionscheme.org.uk/

Average numbers of persons employed

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

				2025-26	2024-25
	Permanently employed staff	Other	Ministers	Total	Total
	Number	Number	Number	Number	Number
Department	7,264	190	6	7,460	7,075
Agencies	462	9	–	471	837
NDPBs	5,373	94	–	5,467	5,417
Total	**13,099**	**293**	**6**	**13,398**	**13,329**

As well as the staff disclosed above, the Department had 5 special advisers (prior year: 4). Since special adviser staff costs are borne by CO so their costs are not included in the table, their staff numbers are removed from the second table to be consistent.

A disaggregation 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. The scheme actuary valued the PCSPS as at 31 March 2020. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation.[84]

For this financial year, Department and Agencies employers' contributions of £114.4 million (prior year: £109.5 million) were payable to the CSOPS at 28.97% of pensionable earnings. It is estimated that employer contributions for the next financial year will be £107.9 million (current year: £106.4 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

In this financial year, Department and Agencies employers' contributions of £630,000 (prior year: £547,000) were paid to one or more of the panel of three appointed stakeholder

84 https://www.gov.uk/government/publications/civil-superannuation-annual-account-2024-to-2025

pension providers. Employers also match employee contributions up to 3% of pensionable earnings. In addition, Department and Agencies employer contributions of £22,000 (prior year: £19,000), 0.5% of pensionable pay, were payable to the 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 £98,000 (prior year: £74,000). Contributions prepaid at that date were £nil (prior year: £nil).

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.

Department and Agencies

	2025-26			2024-25		
	Compulsory redundancy	Other agreed exits	Total	Compulsory redundancy	Other agreed exits	Total
	Number	Number	Number	Number	Number	Number
<£10,001	–	2	2	–	3	3
£10,001 – £25,000	–	10	10	–	–	–
£25,001 – £50,000	–	8	8	–	1	1
£50,001 – £100,000	–	19	19	–	3	3
£100,001 – £150,000	–	–	–	–	1	1
£150,001 – £200,000	–	1	1	–	1	1
Total number of exit packages	**–**	**40**	**40**	**–**	**9**	**9**
Total costs (£000)	**–**	**2,130**	**2,130**	**–**	**609**	**609**

Group

	2025-26			2024-25		
	Compulsory redundancy	Other agreed exits	Total	Compulsory redundancy	Other agreed exits	Total
	Number	Number	Number	Number	Number	Number
<£10,001	2	9	11	–	8	8
£10,001 – £25,000	2	13	15	–	11	11
£25,001 – £50,000	1	9	10	–	10	10
£50,001 – £100,000	–	24	24	–	27	27
£100,001 – £150,000	–	3	3	–	6	6
£150,001 – £200,000	–	1	1	–	2	2
Total number of exit packages	**5**	**59**	**64**	**–**	**64**	**64**
Total costs (£000)	**68**	**2,983**	**3,051**	**–**	**3,900**	**3,900**

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 for 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

Ill-health retirement costs are met by the pension scheme and are not included in the table. Five people (prior year: five people) retired early on ill-health grounds; the total additional accrued pension liabilities for the year amounted to £105,000 (prior year: £60,000).

Staff report: part B (unaudited)

Workforce reporting

The following tables cover permanent staff as at 31 March 2026, 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.

Department and Agencies

	2025-26		2024-25	
	Male	Female	Male	Female
	Number	Number	Number	Number
Permanent Secretary	–	1	–	1
Directors General	3	3	3	3
Directors	15	33	14	31
Deputy Directors	87	119	85	121
Non-SCS	3,073	4,835	3,009	4,648
Total	**3,178**	**4,991**	**3,111**	**4,804**

Group

	2025-26		2024-25	
	Male	Female	Male	Female
	Number	Number	Number	Number
Permanent Secretary	–	1	–	1
Directors General	4	3	5	3
Directors	22	44	29	44
Deputy Directors	135	149	155	168
Non-SCS	3,986	6,199	5,319	7,608
Total	**4,147**	**6,396**	**5,508**	**7,824**

Number of senior civil servants by salary band

Salary ranges in the following table represent basic salary and allowances but exclude bonuses.

Table 12: Number of senior civil servants by salary band for the Department and Agencies

Salary range	2026	2025
	Number	Number
<£60,001	10	16
£60,001 – £65,000	7	6
£65,001 – £70,000	8	9
£70,001 – £75,000	5	9
£75,001 – £80,000	12	22
£80,001 – £85,000	23	50
£85,001 – £90,000	96	72
£90,001 – £95,000	20	12
£95,001 – £100,000	16	6
£100,001 – £105,000	10	12
£105,001 – £110,000	7	19
£110,001 – £115,000	20	12
£115,001 – £120,000	11	2
£120,001 – £125,000	1	1
£125,001 – £130,000	3	1
£130,001 – £135,000	2	–
£135,001 – £140,000	1	–
£140,001 – £145,000	1	2
£145,001 – £150,000	2	1
£150,001 – £155,000	1	1
£155,001 – £160,000	2	4
£160,001 – £165,000	2	–
£180,001 – £185,000	–	1
£185,001 – £190,000	1	–
Total	**261**	**258**

Analysis of staff policies and statistics

Recruitment practice

The Department is committed to complying with the Civil Service Commissioner's Recruitment Principles, appointing on merit through fair and open competition. The Department's approach supports our ambition to be a more inclusive employer that reflects the society we serve. We aim to achieve this by building recruitment capability through training and guidance to managers and ensuring consistent application of the Civil Service Success Profiles framework. We have also enhanced our internal recruitment support offer to provide a more focused, responsive and flexible service.

Sickness absence

Table 13 presents the average number of working days lost due to sickness across the Department and Agencies over the past five years.

Table 13: Staff absence over the last five years

	2025-26	2024-25	2023-24	2022-23	2021-22
Days lost per FTE	6.1	6.0	5.3	5.4	5.6

The Department's average of 6.1 days lost per full-time equivalent in the year is favourable compared to the Civil Service average of 8.2 days for the year ending 31 March 2025,[85] which is the most recent data available.

Staff turnover

Table 14 shows the percentage of staff who left the Department and its Agencies during the year, compared to the Civil Service average.

Table 14: Staff turnover over the last five years

	2025-26	2024-25	2023-24	2022-23	2021-22
Civil Service turnover	4%	5%	8%	5%	5%
Departmental turnover	6%	8%	13%	11%	11%

Departmental turnover includes staff who moved to other government departments as well as those who left the Civil Service. Most leavers transferred within government.

Commitment to improving diversity

The Department remains committed to fostering a diverse and inclusive workforce that reflects the communities it serves and benefits from the strengths that diversity brings. This is reflected in our workforce:

85 https://www.gov.uk/government/publications/civil-service-sickness-absence-2025/civil-service-sickness-absence-2025-report

- Representation of staff from minority ethnic backgrounds increased by 0.7 percentage points during the year to 21.3%. This compares favourably with the latest England census (based on the economically active population and exclude full-time students), which recorded minority ethnic representation at 17% in 2021. We continue to work towards proportional representation at all levels.
- The proportion of women increased by 0.3 percentage points to 61%, supported by an ongoing focus on gender balance at all levels.
- Staff identifying as disabled increased by 3.2 percentage points to 18.3%, the Department's highest level on record. This is almost double the 2021 English census figure of 9.8%. This reflected targeted work to improve accessibility, workplace adjustments and career progression.
- The proportion of staff identifying as lesbian, gay, bisexual or other (LGBO) increased by 2.3 percentage points, reinforcing our commitment to LGBTQ+ inclusion.
- We achieved our SCS workforce representation targets for staff from an ethnic minority at 13.1% and for disability at 12.1%.

Through the PSP we continue to support and promote a diverse and inclusive Department, with particular emphasis on:

- Leadership programmes, including the new radical candour programme, are designed to strengthen leadership and foster a culture where employees feel valued, heard and supported. Management programmes, such as our line manager induction, also help leaders champion diversity and inclusion.
- Strengthening recruitment practices to attract a diverse talent pool, including targeted recruitment and retention initiatives.
- Regularly assessing people-related policies to ensure they are inclusive and equitable, addressing potential biases that may hinder diversity.
- Incorporating diversity and inclusion principles into training for colleagues at all levels to promote understanding and engagement.
- Deepened our understanding of the experience of diverse staff groups through a review of diversity and inclusion workforce data and the experiences of neurodiverse colleagues. Actions to improve staff experiences are planned for next year.

The Department continues to measure progress against external standards and was proud to achieve Carer Confident Level 2 reaccreditation this year.

Staff policies for disabled persons

The Department has a range of policies in place to support disabled people.

In the application process candidates can use the assistance required section of the application form to tell us what support or changes they need. We also include a reasonable adjustment guide in vacancy notices to explain the support available.

During recruitment, we make reasonable adjustments where a disabled person would otherwise be placed at a substantial disadvantage compared to a non-disabled person.

Under the Disability Confident scheme, we guarantee an interview to candidates who meet the minimum role requirements, even if the pass mark is raised due to high application volumes.

Workforce diversity information

The following table presents workforce information across the Group or Department and Agencies consolidation levels as indicated. The data has been compiled from year end headcount values not FTE, so will differ from the average FTE values disclosed in part A.

Table 15: Diversity scores across the Department and Agencies

	2026	2025	2024	2023	2022
Women (SCS)	60%	61%	58%	58%	55%
Women (non-SCS)	58%	61%	61%	60%	60%
BAME (SCS)	13%	14%	13%	12%	11%
Disabled (SCS)	12%	11%	13%	13%	8%
LGBT (SCS)	10%	7%	7%	7%	7%

HR policies

The Department's policies include:

- attendance management – managers may adjust trigger points for formal action to account for disability related or long-term health conditions
- disability leave – enables line managers to grant reasonable time off work for rehabilitation, assessments, treatment or while waiting for reasonable adjustments
- performance management – employees and managers agree objectives and development needs at the start of the year, supported by monthly performance check-ins
- workplace adjustments – guidance and training support open conversations about disabilities and health conditions, including non-visible conditions, to identify appropriate support and arrange adjustments

Development and talent approaches

The Department adopts the following approaches:

- reserving places on a cross-government development programme for disabled employees, where all learning is quality assured to ensure accessibility
- offers a talent management programme to support and accelerate the development of high potential grade 6 and grade 7s with disabilities
- an established programme for disabled staff that supports development, broadens opportunities and helps address personal development needs and barriers

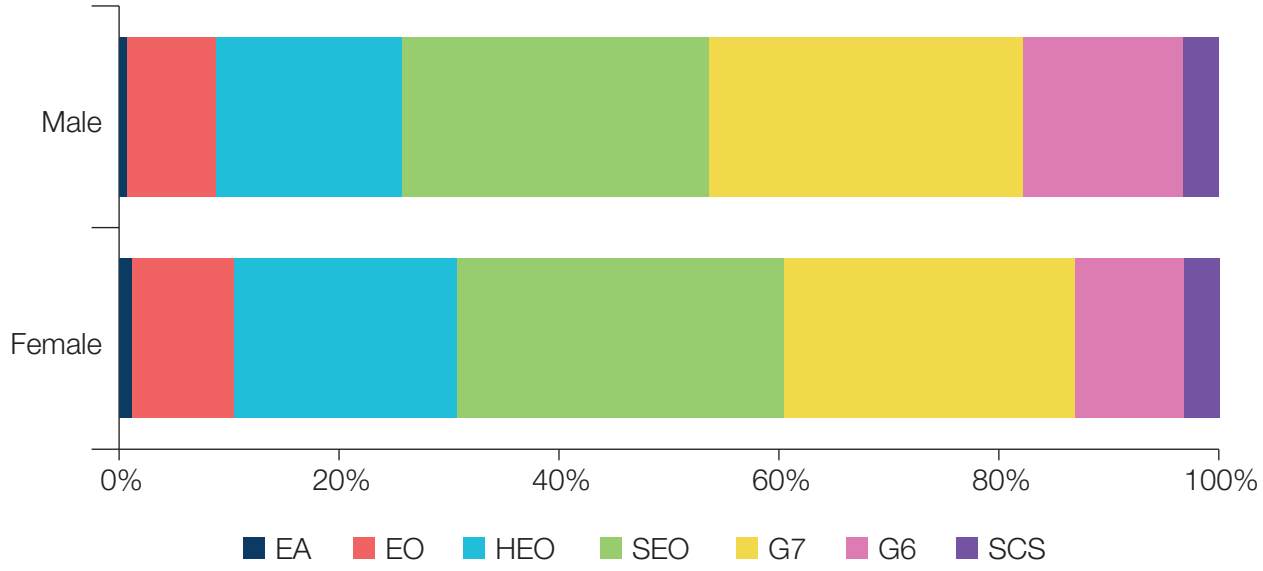
Gender pay gap reporting

As of March 2025, the Department reported a median gender pay gap of 6.7%, down from 8.2% in the previous year, and slightly above the Civil Service benchmark[86] of 6.4%.

The gap is mainly driven by the higher concentration of women in junior grades. In 2025, although the median salaries for men and women both fell within the senior executive officer (SEO) pay band, more women were in grades from executive assistant to higher executive officer. As a result, the median female salary was nearer the midpoint of the SEO range, while the median male salary is closer to the upper end.

Data for March 2026 is not yet available and will be published in next year's ARA.

Figure 22: March 2025 staff grade breakdown by gender (Department and Agencies)



Engagement with employees

The annual Civil Service People Survey looks at civil servants' attitudes to and experience of working in government departments. Each year, a Civil Service benchmark report[87] is published alongside a summary of departmental scores. The Department and its Agencies run a full survey each year, with the results published each December.

86 https://www.gov.uk/government/statistics/civil-service-statistics-2025/statistical-bulletin-civil-service-statistics-2025#gender-pay-gap
87 https://www.gov.uk/government/collections/civil-service-people-surveys

Table 16: Response rates and engagement indices for the Civil Service People Survey for the last five years

	2025	2024	2023	2022	2021
Response rate	80%	84%	85%	88%	90%
Engagement index	65%	64%	63%	61%	69%
Civil Service-wide response rate	59%	61%	65%	77%	75%
Civil Service-wide engagement index	61%	64%	65%	65%	66%

Survey insights inform departmental plans that respond directly to the feedback provided and support improvements in employee engagement and related themes.

This year, the Department introduced DfE VOICE, a platform that captures real-time feedback from colleagues across four themes of engagement, diversity and inclusion, wellbeing and transformation and change.

We engaged employees through a department-wide discussion on our behaviours and in response to findings from the People and Pulse Surveys. This feedback shaped the PSP.

The current PSP outlines our strategic priorities for our people, addressing the challenges and opportunities facing our workforce. The PSP balances individual employee experience and organisational needs, providing clear aims and actions across the following themes:

- a diverse and inclusive experience
- a learning organisation that is high performing and skilled
- evolving as a more agile organisation
- building capability with inclusive leadership and management

Consultancy and temporary staff

The Group is committed to the consistent application of CO's 2010 controls on consultancy and other spending.[88]

Consultancy

CO'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.

As such, consultancy services are typically procured via contract on Group projects in a number of specific situations:

88 https://www.gov.uk/government/publications/cabinet-office-controls

- where specialist skill sets are required for a discrete period and are unavailable in-house
- 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

For the Department and its Agencies, spend on consultancy requires completion of a business case which are scrutinised and reviewed centrally by Finance, Commercial and cleared by the deputy director with budget or delivery responsibility. For engagements over £20,000, the same process is followed but with additional scrutiny and clearance by the minister with policy responsibility.

Contingent labour (temporary staff)

The Group has contracts for the engagement of interim staff and specialist contractors (for instance, contingent labour), to address resourcing needs arising from unexpected absences, short-term peaks in workload, specialist projects or to cover vacancies pending permanent recruitment. Where possible, these roles are covered using existing employees, to reduce the Group's expenditure on contingent labour. Temporary staff are therefore used primarily where there is an immediate operational need for resource, or where specialist skills are not currently available in-house.

Departmental spend on contingent labour requires completion of a mandatory request process, including HR approvals and the completion of a business case which is scrutinised by senior civil servants. For appointments with day rates of £750 or more per day, the same process is followed but with additional scrutiny and clearance by the minister with policy responsibility. This year, additional approvals were required from CO where day rates were £1,000 or more per day, in line with the CO spend controls.

Table 17: Group consultancy expenditure for the last five years

	2025-26	2024-25	2023-24	2022-23	2021-22
	£m	£m	£m	£m	£m
Department	4.3	6.6	5.3	5.0	6.6
Agencies	–	1.1	1.6	0.4	0.6
NDPBs	0.1	2.5	3.2	1.2	0.5
Total	**4.4**	**10.2**	**10.1**	**6.6**	**7.7**

This expertise was mainly used to support change programmes across the Group and specialist research contracted out to third parties.

Table 18: Group contingent labour expenditure for the last five years

	2025-26	2024-25	2023-24	2022-23	2021-22
	£m	£m	£m	£m	£m
Department	34.8	32.2	28.0	21.5	26.3
Agencies	0.2	0.3	0.6	–	0.4
NDPBs	2.7	4.3	4.3	–	4.5
Total	**37.7**	**36.8**	**32.9**	**21.5**	**31.2**

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, or senior officials with significant financial responsibility, during this financial year. The following tables set out this information.

Table 19: Highly paid off-payroll worker engagements as at 31 March 2026, earning £245 per day or greater

	Department	Agencies	NDPBs	Group
Number of existing engagements as at 31 March 2026	455	30	50	535
of which the number that have existed for:				
less than one year at time of reporting	360	5	30	395
between one and two years at time of reporting	34	25	14	73
between two and three years at time of reporting	18	–	4	22
between three and four years at time of reporting	25	–	2	27
four or more years at time of reporting	18	–	–	18

Table 20: All highly paid off-payroll workers engaged at any point during the year ended 31 March 2026, earning £245 per day or greater

	Department	Agencies	NDPBs	Group
Number of temporary off-payroll workers engaged during the year ended 31 March 2026	676	72	79	827
of which:				
not subject to off-payroll legislation	–	5	77	82
subject to off-payroll legislation and determined as in-scope of IR35	611	67	–	678
subject to off-payroll legislation and determined as out-of-scope of IR35	65	–	2	67
Number of engagements reassessed for compliance or assurance purposes during the year	–	–	–	–
of which: number of engagements that saw a change to IR35 status following review	–	–	–	–

Table 21: For any off-payroll engagements of board members, or senior officials with significant financial responsibility, between 1 April 2025 and 31 March 2026

	Department	Agencies	NDPBs	Group
Number of off-payroll engagements of board members 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 or senior officials with significant financial responsibility” during the financial year. This figure should include both on- and off-payroll engagements	29	34	127	190

Parliamentary accountability and audit report

Overview

In addition to the primary statements prepared under IFRS, FReM requires the Department to prepare a SOPS and supporting notes.

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.

SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimate details Supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of SOPS mirrors the Supply Estimate, published on GOV.UK, to enable comparability between what Parliament approves and the final outturn. 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 SoCNE, to tie 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).

SOPS and the Estimate are compiled against the budgeting framework, which is similar to but different to, IFRS. An understanding of the budgeting framework and an explanation of key terms is provided in the Financial review of the year. 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.

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 Estimate and functions as an introduction to SOPS disclosures.

Statement of Outturn against Parliamentary Supply (audited)

For the year ended 31 March 2026

Summary table, 2025-26

		Outturn			Estimate			Outturn vs Estimate, saving/(excess)		Prior year Outturn total
Type of spend	Note	Voted	Non-voted	Total	Voted	Non-voted	Total	Voted	Total	2024-25
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit										
Resource	S1.1	108,589,757	–	108,589,757	119,824,588	–	119,824,588	11,234,831	11,234,831	102,121,619
Capital	S1.2	6,898,822	–	6,898,822	6,994,867	–	6,994,867	96,045	96,045	5,602,518
Total		**115,488,579**	**–**	**115,488,579**	**126,819,455**	**–**	**126,819,455**	**11,330,876**	**11,330,876**	**107,724,137**
Annually Managed Expenditure										
Resource	S1.1	113,716	–	113,716	5,684,754	–	5,684,754	5,571,038	5,571,038	(3,817,564)
Capital	S1.2	29,608,582	–	29,608,582	30,657,929	–	30,657,929	1,049,347	1,049,347	30,906,634
Total		**29,722,298**	**–**	**29,722,298**	**36,342,683**	**–**	**36,342,683**	**6,620,385**	**6,620,385**	**27,089,070**
Total Budget										
Resource	S1.1	108,703,473	–	108,703,473	125,509,342	–	125,509,342	16,805,869	16,805,869	98,304,055
Capital	S1.2	36,507,404	–	36,507,404	37,652,796	–	37,652,796	1,145,392	1,145,392	36,509,152
Total Budget Expenditure		**145,210,877**	**–**	**145,210,877**	**163,162,138**		**163,162,138**	**17,951,261**	**17,951,261**	**134,813,207**

Figures in the areas outlined in thick lines cover the voted control limits voted by Parliament. Refer to the Supply Estimates Guidance Manual[89] for detail on the control totals voted by Parliament.

89 https://www.gov.uk/government/publications/supply-estimates-guidance-manual

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Net cash requirement 2025-26

Item	Note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)	Prior year Outturn total 2024-25
		£000	£000	£000	£000
Net cash requirement	S3	118,137,205	120,576,314	2,439,109	111,112,933

Administration costs 2025-26

Type of spend	Note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)	Prior year Outturn total 2024-25
		£000	£000	£000	£000
Administrative costs	S1.1	561,238	607,028	45,790	546,736

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanation of variances between Estimate and outturn are given in the commentary on significant variances between Estimate and outturn in the Financial review of the year.

Restatement

The recognition of loan commitment financial liabilities this year has resulted in a restatement of prior years' SoFP. However, the recognition of loan commitment financial liabilities and movements in their fair values do not score to budgets. Consequently, the restatement has no impact on SOPS's reporting of outturn or Estimate values for either year presented.

The notes on pages 164 to 171 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

	Resource Outturn									Estimate	Outturn vs Estimate, saving/ (excess)	Prior year Outturn total, 2024-25
	Administration			Programme								
Type of spend (Resource)	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	509,071	(19,424)	489,647	142,745	(159,681)	(16,936)	472,711	482,058	30,197	512,255	39,544	532,120
B Other School Funding (Department)	–	–	–	1,010,592	(60,107)	950,485	950,485	1,036,548	(24,038)	1,012,510	62,025	1,108,781
C Other School Funding (ALB) (net)	7,078	–	7,078	10,634	–	10,634	17,712	18,495	9	18,504	792	13,254
D Families and Children Services (Department)	–	–	–	545,648	(150)	545,498	545,498	615,252	–	615,252	69,754	1,146,261
E Families and Children Services (ALB) (net)	4,351	–	4,351	16,836	–	16,836	21,187	21,379	365	21,744	557	15,448
F Standards and Testing Agency	2,928	–	2,928	46,079	–	46,079	49,007	54,788	–	54,788	5,781	49,973
G Teaching Regulation Agency	276	–	276	14,479	(44)	14,435	14,711	14,667	120	14,787	76	16,769
Education and Skills Funding Agency	–	–	–	–	–	–	–	–	–	–	–	42,579
H Skills England	7,374	–	7,374	19,912	–	19,912	27,286	34,725	–	34,725	7,439	–
I Apprenticeships	–	–	–	3,098,727	–	3,098,727	3,098,727	3,118,696	–	3,118,696	19,969	2,781,327

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Type of spend (Resource)	Resource Outturn									Estimate	Outturn vs Estimate, saving/ (excess)	Prior year Outturn total, 2024-25
	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
J Grants to LA – Schools and Early Years	–	–	–	41,553,300	(1,148)	41,552,152	41,552,152	41,574,435	(6,653)	41,567,782	15,630	38,410,402
K Grants to Academies	–	–	–	38,773,452	(1,873)	38,771,579	38,771,579	39,393,013	(542,042)	38,850,971	79,392	35,810,967
L Higher Education	–	–	–	14,441,076	(35,605)	14,405,471	14,405,471	25,323,817	(791)	25,323,026	10,917,555	13,667,886
M Further Education	–	–	–	7,066,366	(30,782)	7,035,584	7,035,584	6,492,751	542,833	7,035,584	–	6,780,505
N Higher Education (ALB) (net)	48,336	–	48,336	1,575,178	–	1,575,178	1,623,514	1,639,237	–	1,639,237	15,723	1,716,600
O Further Education (ALB) (net)	1,248	–	1,248	2,885	–	2,885	4,133	4,727	–	4,727	594	28,747
Total spending in DEL	**580,662**	**(19,424)**	**561,238**	**108,317,909**	**(289,390)**	**108,028,519**	**108,589,757**	**119,824,588**	**–**	**119,824,588**	**11,234,831**	**102,121,619**
Spending in Annually Managed Expenditure												
Voted expenditure												
P Activities to Support all Functions	–	–	–	5,693,784	–	5,693,784	5,693,784	5,667,137	26,647	5,693,784	–	47,838
Activities to Support all Functions (ALB)	–	–	–	(586)	–	(586)	(586)	–	–	–	586	1,204
Q Executive Agencies	–	–	–	34	–	34	34	89	–	89	55	(5,520)
R Higher Education	–	–	–	7,991,076	(13,560,818)	(5,569,742)	(5,569,742)	(41,645)	(26,647)	(68,292)	5,501,450	(3,829,476)
S Further Education	–	–	–	27,689	(64,792)	(37,103)	(37,103)	23,081	–	23,081	60,184	(39,912)
T Higher Education (ALB) (net)	–	–	–	1,011	–	1,011	1,011	1,300	–	1,300	289	2,617
U Further Education (ALB) (net)	–	–	–	26,318	–	26,318	26,318	34,792	–	34,792	8,474	5,685
Total spending in AME	**–**	**–**	**–**	**13,739,326**	**(13,625,610)**	**113,716**	**113,716**	**5,684,754**	**–**	**5,684,754**	**5,571,038**	**(3,817,564)**
Total Resource	**580,662**	**(19,424)**	**561,238**	**122,057,235**	**(13,915,000)**	**108,142,235**	**108,703,473**	**125,509,342**	**–**	**125,509,342**	**16,805,869**	**98,304,055**

S1.2 Analysis of capital outturn by Estimate line

Type of spend (Capital)	Outturn					Estimate	Outturn vs Estimate, saving/ (excess)	Prior year Outturn total, 2024-25
	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	281,130	(13,109)	268,021	248,274	24,891	273,165	5,144	82,297
B Other School Funding (Department)	2,247,456	(304,724)	1,942,732	2,120,697	(110,495)	2,010,202	67,470	1,948,736
C Other School Funding (ALB) (net)	(23,671)	–	(23,671)	(24,957)	1,286	(23,671)	–	(18,411)
D Families and Children Services (Department)	65,121	–	65,121	75,245	(10,124)	65,121	–	57,579
E Families and Children Services (ALB) (net)	3,727	–	3,727	2,838	889	3,727	–	2,022
F Standards and Testing Agency	6,560	–	6,560	6,166	394	6,560	–	5,871
Education and Skills Funding Agency	–	–	–	–	–	–	–	(7,399)
H Skills England	1,363	–	1,363	2,243	(880)	1,363	–	–
I Apprenticeships	11,090	–	11,090	9,130	1,960	11,090	–	5,573
J Grants to LA – Schools and Early Years	2,332,698	(3,931)	2,328,767	2,140,542	188,225	2,328,767	–	1,242,247
K Grants to Academies	1,332,634	(21,658)	1,310,976	1,361,315	(45,125)	1,316,190	5,214	1,167,040
L Higher Education	11,135	(3,652)	7,483	7,218	265	7,483	–	16,573
M Further Education	897,952	(25,621)	872,331	923,352	(48,719)	874,633	2,302	917,516
N Higher Education (ALB) (net)	104,075	–	104,075	122,557	(2,567)	119,990	15,915	181,903
O Further Education (ALB) (net)	247	–	247	247	–	247	–	971
Total spending in DEL	**7,271,517**	**(372,695)**	**6,898,822**	**6,994,867**	**–**	**6,994,867**	**96,045**	**5,602,518**
Spending in Annually Managed Expenditure								
Voted expenditure								
P Activities to Support all Functions	3,120	–	3,120	1,017	2,103	3,120	–	1,341
Q Executive Agencies	–	–	–	–	–	–	–	(243)
R Higher Education	34,699,685	(5,095,623)	29,604,062	30,632,376	(3,003)	30,629,373	1,025,311	30,853,400
S Further Education	64,732	(68,573)	(3,841)	1,136	–	1,136	4,977	43,352
T Higher Education (ALB) (net)	1,100	–	1,100	200	900	1,100	–	2,477
U Further Education (ALB) (net)	4,141	–	4,141	23,200	–	23,200	19,059	6,307
Total spending in AME	**34,772,778**	**(5,164,196)**	**29,608,582**	**30,657,929**	**–**	**30,657,929**	**1,049,347**	**30,906,634**
Total Capital	**42,044,295**	**(5,536,891)**	**36,507,404**	**37,652,796**	**–**	**37,652,796**	**1,145,392**	**36,509,152**

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The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HMT). Further information on virements is provided in the Supply Estimates Manual.

The outturn vs Estimate column is based on the total including virements. The Estimate total before virements have been made is included so that users can tie the Estimate back to the Estimates laid before Parliament.

S1.3 Explanation of pre-virement variances

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 Estimate value and over £250 million, across the different budget types.

S1.4 Background to Estimate

Below we reconcile Estimate lines to Group activities and bodies.

Estimate 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 Estimate 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 National Tutoring Programme and teacher training is included in this Estimate 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 tackling child poverty is included in this Estimate line.
E	Families and Children Services (ALB) (net)	Budget set for SWE and CCO.
F	Standards and Testing Agency	Budget line for STA.
G	Teaching Regulation Agency	Budget line for TRA.
H	Skills England	Budget line for SE.
I	Apprenticeships	Budget set for delivering apprenticeships.
J	Grants to LA – Schools and Early Years	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 our executive agencies.
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.
–	Education and Skills Funding Agency	Budget line for ESFA, not applicable this year following the closure of ESFA on 31 March 2025.

S2. Reconciliation of outturn to net operating expenditure

Item		Reference	Outturn total	Prior year Outturn total 2024-25 (Restated)
			£000	£000
Total resource outturn		S1.1	**108,703,473**	**98,304,055**
Add:	capital grant expense	7.3	6,657,235	5,505,983
	other expenditure scored to the capital budget		281,266	19,670
	loan commitment financial liabilities fair value loss	9	473,411	177,402
Total			**7,411,912**	**5,703,055**
Less:	income payable to the Consolidated Fund	S4	(775)	(40)
	capital grant income		(65,425)	(55,047)
	other adjustments		–	(1,901)
Total			**(66,200)**	**(56,988)**
Net operating expenditure in SoCNE		**SoCNE**	**116,049,185**	**103,950,122**

As noted in the introduction to SOPS, outturn and the Estimate 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 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 outturn and SoCNE's net operating expenditure. See note 7.3 for more detail on our capital policy funding activities. The reconciling item 'Other expenditure scored to the capital budget' relates to research and development activities that are scored to capital budgets, so excluded from resource outturn, but accounted for as costs in SoCNE. The capital grant income reconciling item refers to capital contributions received from other government departments in support of school building programmes.

The adoption of IFRS 17 resulted in a budget transfer of £140 million from RDEL to CDEL to comply with HMT's change in the budgetary treatment for insurance claim costs.

The prior year's net operating expenditure per SoCNE value has been restated by £177 million through recognising fair value losses on loan commitment financial liabilities. Note 2 has more information.

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	**108,703,473**	**125,509,342**	**16,805,869**
Total capital outturn	S1.2	**36,507,404**	**37,652,796**	**1,145,392**
Adjustment for NDPBs				
Remove voted resource and capital		(1,779,563)	(1,844,015)	(64,452)
Add cash grant-in-aid		1,761,267	1,830,669	69,402
Adjustments to remove non-cash items				
Depreciation (including student loan fair value loss)	8.2 and 9	(21,593,222)	(38,883,217)	(17,289,995)
New provisions and adjustments to previous provisions		(5,725,352)	(5,783,098)	(57,746)
Other non-cash adjustments		(50,981)	1,966,688	2,017,669
Adjustments to reflect movements in working balances				
Movements in receivables	SoCF	119,464	–	(119,464)
Movements in payables	SoCF	191,034	–	(191,034)
Movements in lease liabilities		16,388	–	(16,388)
Use of provisions		25,169	127,149	101,980
Insurance contracts		(37,876)	–	37,876
Total		**(27,073,672)**	**(42,585,824)**	**(15,512,152)**
Net cash requirement		**118,137,205**	**120,576,314**	**2,439,109**

As noted in the introduction to SOPS, outturn and the Estimate 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).

	Outturn total		Prior year, 2024-25	
Item	Accruals	Cash basis	Accruals	Cash basis
	£000	£000	£000	£000
Income outside the Ambit of the Estimate	*775*	*775*	40	*40*
Excess cash surrenderable to the Consolidated Fund	–	–	–	–
Total amount payable to the Consolidated Fund	**775**	***775***	**40**	***40***



Parliamentary accountability disclosures (audited)

As custodians of taxpayers' funds, we have a duty to Parliament to ensure the regularity and propriety of our activities and expenditure. We manage public funds in accordance with the principles outlined in Managing Public Money.

Our accounting officer is responsible for ensuring that we operate with regularity, efficiency, economy, effectiveness and prudence in the administration of public resources to secure value for money. These responsibilities, which include the propriety and regularity of public finances, are detailed in Managing Public Money.

To fulfil these responsibilities and ensure we do not breach our control totals, we have implemented the following measures:

- formal delegation of budgets
- detailed monitoring of expenditure
- monthly management reporting against control totals

Additionally, we use the three lines of defence model as part of our risk management framework, which is detailed in our Governance Statement.

This year, we did not breach any of our Parliamentary control totals. Further details are provided in the Statement of Outturn against Parliamentary Supply.

The disclosures pertain to the bodies identified in note 28 and do not include the academy and further education sectors.



Public sector losses and special payments

A1 Losses statement

The total of all losses that have been recognised this year is as follows.

Number of cases

Item	2025-26 Department & Agencies	2025-26 Group	2024-25 Department & Agencies	2024-25 Group
	Number	Number	Number	Number
Cash losses	25,150	25,150	417	424
Fruitless payments and constructive losses	60	213	120	216
Claims waived or abandoned	75,165	76,341	61,908	61,908
Store losses	2,981	2,987	318	318
Total number of cases	**103,356**	**104,691**	**62,763**	**62,866**
Analysed across:				
non-student loan activities	1,288	2,623	1,030	1,133
student loans	102,068	102,068	61,733	61,733

Value of cases

Item	2025-26 Department & Agencies	2025-26 Group	2024-25 Department & Agencies	2024-25 Group
	£000	£000	£000	£000
Cash losses	50,759	50,759	7,928	7,932
Fruitless payments and constructive losses	44,746	44,812	1,966	2,146
Claims waived or abandoned	25,359	37,663	23,964	23,964
Store losses	9,017	9,021	839	839
Total value of cases	**129,881**	**142,255**	**34,697**	**34,881**
Analysed across:				
non-student loan activities	65,477	77,851	24,653	24,837
student loans	64,404	64,404	10,044	10,044

A1.1 Cash losses over £300,000

Counterparty	Reporting body	£000
Student funding		
Weekend-only courses grant payments	Department	45,542
Change in borrower circumstances overpayment write-offs	Department	1,385
Corporate failure		
NA College Trust	Department	2,971
Whitehead Ross	Department	649

Student funding

Losses from student funding grant payments of £45.5 million in relation to 10,596 borrowers (prior year: nil and nil) in connection with weekend-only courses incorrectly classified as non-distance learning have been identified this year. This loss was first identified this year, so the value represents historic losses not just funds advanced this year.

Grant overpayments occur when, following a reassessment, a student has been found to have received more grant funding than they were in fact entitled to. This year £1.4 million of grant overpayment receivables from 14,509 individuals (prior year: £2.4 million and 6,879 individuals) have been written-off on grounds that the individuals have died or become disabled since receiving the funding and as such there is no realistic chance of recovering the debt.

Corporate failure

The companies became insolvent preventing collection of overpaid grants or other contractual funding.

A1.2 Fruitless payments and constructive losses over £300,000

Counterparty	Reporting body	£000
Education sector asset losses		
Assets held for sale impairment (four sites)	Department	41,681
Assets written-off (one IT asset)	Department	1,579
Other		
Liverpool Institute of Performing Arts	Department	575
Pudsey Grammar School	Department	394

Education sector asset losses

Losses were incurred where an asset was:

- written down to expected sale value when it was reclassified to assets held for sale (AHfS) in advance of disposal
- non-property assets written-off when no further use or value will be received from their use

Other

The Post-16 Capacity Fund was paid to support the development of a project which has been withdrawn from the initiative.

A1.3 Claims waived or abandoned over £300,000

Counterparty	Reporting body	£000
Student loans		
Write-off of student loan employer deductions	Department	8,455
Re-brokerage debt forgiveness		
The Schools Company Trust	Department	2,943
Liverpool Institute of Performing Arts	Department	1,284
Reach South Academy Trust	Department	522
Apprenticeship provider corporate failures		
LifeSkills Solutions	Department	1,592
The Opportunity Group Ltd	Department	1,462
Skills Training UK	Department	1,260
Hills Bridge Services Ltd	Department	776
West London Skills Training Ltd	Department	726
Divad Training Ltd	Department	601
London School of Education and Management Ltd	Department	487
Paragon Training Academy Ltd	Department	446
JM Excellence in Training Ltd	Department	443
Professional Training and Development Solutions Ltd	Department	347
Levy body corporate failures		
Robert Dales Building Services Ltd	CITB	747
Ardmore Construction Ltd	CITB	339

Student loans

Student loan losses are included 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, with employers deducting repayments through the tax system. During the year, £8.5 million (prior year: £6.8 million) was written-off in respect of repayments that employers had collected from borrowers but that HMRC were unable to recover, usually because the employer had become insolvent. The number of cases relating to these losses is 73,979 (prior year: 61,414).

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.

Apprenticeship provider failures

Overpayments of grants can occur when payments to education 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.

Levy body corporate failures

Balances owed to CITB by construction industry employers in respect of levy funding owed, however the employer has entered into administration or liquidation.

A1.4 Store losses over £300,000

Counterparty	Reporting body	£000
Fraud – childcare grants	Department	7,701
Fraud – student loans	Department	1.316

Childcare grants

In the year we identified and mapped a fraud network behind fraudulent claims from 2,781 students who worked in collusion with 744 childcare providers to defraud us of £7.7 million for childcare grants over the year.

Students and the childcare providers involved in the network were contacted to provide further evidence to support their claims; those who were not able to provide sufficient appropriate evidence had blocks applied such that they cannot receive further payments of any form of student support.

Student loans

Phished loans and grants are payments to students diverted by fraudsters that need to be written-off. During the year £1.3 million (prior year: £839,000) was written-off in respect of phishing. Phishing activity has become more sophisticated, and in response to the increased risk we continue to implement additional measures to assure the identity of payees. We are currently working on developing a confirmation of payee app.

A2 Special payments

Number of cases

	2025-26		2024-25	
Item	Department & Agencies	Group	Department & Agencies	Group
	Number	Number	Number	Number
Student loans	–	1,390	–	1,540
Special severance payments	1	12	4	23
Other	44	46	200	200
Total	**45**	**1,448**	**204**	**1,763**

Value of cases

Item	2025-26 Department & Agencies	2025-26 Group	2024-25 Department & Agencies	2024-25 Group
	£000	£000	£000	£000
Student loans	–	130	–	127
Special severance payments	40	614	76	1,299
Other	1,016	1,018	1,396	1,396
Total	**1,056**	**1,762**	**1,472**	**2,822**

Student loans

The high volume of Group losses disclosed above is due to the large number of student loan losses reported by SLC. No single case was above the threshold for additional disclosure.

Special severance payments

Severance payments 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.

In the current year, we made 12 payments totalling £614,559 (prior year: 23 payments totalling £1,299,000) in respect of severance cases. The highest payment was £136,360 (prior year: £142,186), the lowest payment was £2,728 (prior year: £4,568) and the median payment was £45,663 (prior year: £55,924).

A2.1 Special payments over £300,000

Counterparty	Reporting body	£000
Remit Group Ltd	Department	711

The Department made a payment to an apprenticeship training provider to secure provision for already enrolled apprentices.

A3 Student funding balances cancelled in the year

In the circumstances named below, defined by statutory regulations pertaining to student loans, we cancel a borrower's student loan or their loan overpayment. These losses do not require HMT approval like other losses presented here because they result from statutory student loan terms and conditions.

Item	2025-26		2024-25	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Due to:				
death	191.2	191.2	252.6	252.6
access to higher education	36.4	36.4	39.8	39.8
age	17.5	17.5	13.5	13.5
disability	5.0	5.0	3.3	3.3
bankruptcy, on completion of individual arrangement or other	0.2	0.2	0.4	0.4
Total	**250.3**	**250.3**	**309.6**	**309.6**
Analysed as				
Student funding loan overpayments	2.4	2.4	–	–
Student loans	247.9	247.9	309.6	309.6
Total	**250.3**	**250.3**	**309.6**	**309.6**

A4 Gifts and hospitality

The total of all gifts and hospitality that have been paid out this year are as follows:

Item	2025-26		2024-25	
	Department & Agencies	Group	Department & Agencies	Group
	Number	Number	Number	Number
Total number of cases	**24**	**26**	**–**	**26**
	£000	£000	£000	£000
Total value of gifts	**1**	**3**	**–**	**1**

There were no gifts over the additional reporting threshold of £300,000.

Remote contingent liabilities

In addition to contingent liabilities reported (note 26) within the meaning of IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37), 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.

Table 22: Reconciliation of remote contingent liabilities included in the Supply Estimate to the accounts

Description of contingent liability	Supply Estimate	Amount disclosed in ARA	Variance (Estimate less ARA value)
	£000	£000	£000
Operational activities			
St Paul's Place property insurance	40,000	40,000	–
Curriculum body asset transfer	10,000	10,000	–
Pension guarantor to the Universities Superannuation Scheme	4,000	4,000	–
Data sharing agreements	3,000	3,000	–
Contract early termination	1,954	–	1,954
Junior ISA exposure	1,701	1,701	–
Free school principal designates	533	155	378
Legal cases	134	220	(86)
Indemnity for third-party redundancies	–	120	(120)
Sub-total	**61,322**	**59,196**	**2,126**
Education estate activities			
Academy PFI contracts	10,178,340	8,212,031	1,966,309
Indemnities relating to 29 s278 (highways) agreements with local authorities to support school development works	266,432	266,432	–
Indemnity to the landlord for academy site lease rentals	12,500	12,500	–
Indemnity in relation to s38 (highways) with the NHS to support school development works	10,000	–	10,000
Indemnity in relation to s50 (highways) in relation to school builds	10,000	10,000	–
Indemnity in relation to s184 (highways) with a local authority to support school development	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 10 school builds	100,000	170,000	(70,000)
Indemnities with county councils to support school developments	10,049	10,049	–
Tenant default agreements	2,901	2,901	–
Indemnity in respect of commercial free school lease	110	110	–
Sub-total	**10,610,332**	**8,704,023**	**1,906,309**
Total	**10,671,654**	**8,763,219**	**1,908,435**

Summary of significant exposures

Operational activities

Property insurance

The Department agreed with contractors to cover losses incurred if a catastrophic event occurred during the development of one of our properties (St Paul's Place).

Education estate activities

Academy-sector PFI contracts

The contingent liability arises from support the Department may provide local authorities for their 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.

The Supply Estimate and ARA reported values differ because of when they are calculated:

- the Supply Estimate's discounted value is taken from the prior year's ARA applying discount rates and cash flows forecast at the prior year end, here this was 31 March 2025
- the ARA discounted value is calculated with forecast cash flows and discount rates applicable to the current year end, here 31 March 2026
- the forecast cash flows and HMT-mandated discount rates change across ARA reporting cycles
- when updating this year's value, we identified an error in the prior year's discount calculation – the prior year's correct value was £8,946,547,000 a reduction of £1.2 billion

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), 29 cases ranging from £127,000 to £11 million
- section 184 of the Highways Act 1980 (highways infrastructure), one case
- section 104 of the Water Industry Act 1991 (sewers), one case
- section 38 of the Highways Act 1980 (highways infrastructure), one case

Coal Authority

To support the development of free school sites the Department has taken out required permits with the Coal Authority. The Department has 37 permits with an unquantifiable exposure and 17 with a liability quantified at £10 million each.

Unquantifiable

Table 23: Reconciliation of remote contingent liabilities included in the Supply Estimate to the accounts

Description of contingent liability	Included in Supply Estimate	Included in ARA
Operational activities		
A guarantee to Local Government Pension Scheme (LGPS) to meet the pension deficit if a further education college closes.	Yes	Yes, non-remote
A guarantee to LGPS to meet the pension deficit if an academy trust closes.	Yes	Yes, non-remote
A basic asset protection agreement between the Department and a public sector body is in place whilst work is undertaken at a school.	Yes	Yes
Standard indemnities, using model government clauses on indemnity limits, revised data protection legislation relating to data protection fines.	Yes	Yes
Statutory indemnity in relation to the Office of the Schools Adjudicator outlined in Paragraph 7 of Schedule 5 to the Schools Standard Framework Act 1998.	Yes	Yes, non-remote
Student loan sale warranties	Yes	Yes
An indemnity 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 on behalf of SLC.	Yes	Yes
To the CSPS 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	Yes
Education estate activities		
Uncapped indemnity related to section 185 (Water Industry Act 1991) agreements entered into as part of school builds, relating to loss or damage caused to property and interruption to services (including third-party claims) as a result of sewer works.	Yes	Yes
As a result of entering into a PFI arrangement (PF2) for the building of schools, there are a number of contracts in place which have clauses that could give rise to liability for the Department.	Yes	Yes
The permanent site for an academy was subject to entering an unlimited indemnity with Canal & Rivers Trust to allow the drainage connection.	Yes	Yes
As a result of entering into contracts on site purchases, the Department is subject to a number of overage clauses.	Yes	Yes
Section 104 (Water Industry Act 1991) agreements entered into as part of school builds – allowing developers to enter into legal agreements with local sewerage authorities, where the developers construct sewers on their land and request that the sewers are adopted and maintained at the sewerage authority's expense once it is built to the required standard (four cases).	Yes	Yes
A section 38 (Highways Act 1980) agreement entered into as part of a school build.	Yes	Yes
To the local authority landlords for potential costs in not performing their obligations under various building contracts and leases to which the Department is a counterparty.	Yes	Yes

Description of contingent liability	Included in Supply Estimate	Included in ARA
Section 278 (Highways Act 1980) agreements entered into with councils (in their capacity as the highway authority) to make permanent alterations or improvements to a public highway, as part of the planning approval for free school projects (24 cases).	Yes	Yes
Coal Authority permits required to undertake a ground investigation survey as part of the delivery of an education provider project.	Yes	Yes
Arising from entering into section 50 licences (New Roads and Street Works Act 1980) for the undertaking of highways works associated with the planning permission for and construction of an academy project.	Yes	Yes
Potential obligations linked to preparatory works under the proposed construction programme.	Yes	Yes
Relating to potential interference with rail infrastructure assets as part of a school development.	Yes	Yes

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)

Functional standards[90] exist to create a coherent, effective and mutually understood way of doing business within government organisations. The standards are mandated for use across central government.

The Department has assigned heads of function responsible for implementing the standards in their respective areas. Progress against the standards is regularly monitored across all in-scope functions through 'continuous improvement assessment frameworks' and internal reviews. Where improvements have been identified, action plans are in place to address them.

Of the 13 functional areas operating in the Department, five have been assessed as meeting all mandatory elements and the most important advisory elements, consistent with previous years. The remaining areas are assessed as 'in development'. Plans are in place to achieve full compliance in line with departmental needs and priorities, provided this represents value for money.

Susan Acland-Hood
Accounting Officer

9 November 2026

90 https://www.gov.uk/government/collections/functional-standards

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 2026 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 2025. The financial statements comprise: the Department's and the Departmental Group's consolidated:

- Statement of Financial Position as at 31 March 2026;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and 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 2026 and their net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HMT directions issued thereunder.

Qualified opinion on regularity

In my opinion, except for the effects of the matters described in the Basis for qualified opinion on regularity, 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 2026 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 qualified opinion on regularity

I have qualified my regularity opinion because maintenance student loans and certain grants were paid to students enrolled on weekend-only in-person attendance courses who were not eligible for such support under the Education (Student Support) Regulations 2011. This occurred because some providers incorrectly recorded weekend-only courses as "in-attendance" rather than "distance learning" courses, resulting in the Student Loans Company assessing affected students as eligible for support. The Department estimates that more than 22,000 students may have received irregular payments, with the potential value of those

payments estimated at approximately £700 million since financial year 2018-19 of which £332 million loans and £23 million grants relate to 2025-26. I consider the matter to be qualitatively material and have therefore qualified my regularity opinion.

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 (2024)*. 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 2024.* 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 Teacher and Higher Education Act 1998 Education (Student Support) regulations Local Government Act 2003 Children and Families Act 2014 Apprenticeships, Skills, Children and Learning Act 2009 Higher Education and Research Act 2017
Parliamentary authorities	Supply and Appropriations Act
HMT 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 HMT's FReM, 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, budgetary pressures and major IT changes, 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 116-117.

In this year's report the following changes to the risks identified have been made compared to my prior year report:

I have revised the key audit matters to separate student loan additions (excluding weekend-only in person attendance courses) from the overall valuation of the student loan book (undergraduate and postgraduate). Previously the student loan additions risk was subsumed within the overall valuation risk, but separating the loan additions balance allows a clearer articulation of the relevant true and fair and regularity risks.

I have narrowed the scope of the postgraduate valuation significant risk to postgraduate master's loans only and have excluded doctoral loans. Master's loans are 93.6% of the total postgraduate valuation.

This year, I identified a significant risk relating to major IT changes. I identified that large amounts of data impacting the student loan valuation had migrated from on-premises storage to the cloud. Although I note this as a significant risk, I do not consider this to be a key audit matter.

Key audit matter – Student loan additions (excluding weekend-only in person attendance courses)	
Description of risk In 2025-26, the Department issued £21.2 billion (transaction value) in student loans, with an initial recognition value of £14.2 billion, for which I identified a significant risk both for the regularity audit opinion as well as the true and fair audit opinion. The size and complexity of the student loans additions require us to perform specific, focused audit testing to gain sufficient assurance; this is due to the complex eligibility criteria and checks performed before paying out the loans. I assess new loan additions to be a significant risk due to their materiality and the complexity of the associated processes. Key risk factors include the appropriate recognition of loans, the risk of transactions being recorded in the incorrect period, the complexity of contractual arrangements, and the reliance on multiple systems for the administration and processing of loan data. Furthermore, the nature of the loan portfolio creates incentives and opportunities for the misappropriation of assets by individuals or groups external to the entity, which increases the susceptibility of the financial statements to material misstatement arising from fraud.	
How the scope of my audit responded to the risk	I reviewed the design and implementation of the process and controls in respect for new loans, including the validity and criteria checks, and the key data systems and controls within SLC, HMRC and the Department. I reviewed the Government Internal Audit Agency's (GIAA's) methodology for its testing of student loan additions, including the sampling and error extrapolation approach. I performed substantive testing of a sample of loan additions in the year to confirm the appropriateness of the new loans issued and to identify any levels of irregularity present in the population of new loans issued. This testing built upon the work performed by the GIAA, who review SLC's own quality assurance testing. This testing covers all types of loans issued as well as specific grants in the year. I reviewed the Department's statistical assessment of the level of irregularity implicit in the loans issued in year, to validate the level of irregularity disclosed by management in the financial statements. In the current year, the estimated extrapolated level of fraud and error in the population of new loans issued of £21.2 billion was approximately £248 million, which is deemed to be irregular spend, though immaterial. This represents loans issued where some eligibility criteria were not evidenced or where a specific loan type was allocated to an inappropriate individual, identified solely through this testing. This error is lower than in the previous year, where it was estimated in 2024-25 to be £327 million.

Key audit matter – Student loan additions (excluding weekend-only in person attendance courses)	
	Key observations The outcomes of the procedures I performed in response to this risk were satisfactory. I noted no material issues arising from my work.

Key audit matter – Valuation of the student loan book (undergraduate and postgraduate master's loans) – data inputs, model and assumptions	
Description of risk The English student loan book is a highly material estimate within the Department's accounts. As at 31 March 2026, the total carrying value is £165.8 billion. The valuation is derived from three distinct modelling pipelines, responsible for carrying values of undergraduate loans (£158.3 billion as at 31 March 2026), postgraduate loans (£6.4 billion as at 31 March 2026), and advanced learner loans (£1 billion as at 31 March 2026). I have identified a significant risk over the undergraduate and postgraduate master's loans, which comprise approximately 99.4% of the overall fair value balance. The models rely on significant management judgements, interventions, data inputs and assumptions that are individually complex or subjective. Small changes in assumptions can lead to material changes in the estimate. The valuation models require 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 affected by the UK economy such as inflation, employment and earnings of the loan book population and the Bank of England base-rate; and, in many cases, these are projected up to 2073-74. The model is therefore not overly sensitive to short-term trends given the longevity of the repayments window. The data inputs, assumptions, and the models used in the undergraduate and postgraduate master's valuation 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	I assessed the valuation of the loan book and the data inputs (such as borrower characteristics and earnings data) through several audit procedures. I risk assessed the IT systems within SLC that underpin the loan book, including the LA Portal, Assessment Platform and the CLASS system. I reviewed the design and implementation of relevant processes and controls in respect of data inputs and the flowthrough of information between relevant systems, including new loans, loan data and repayments. I performed testing to confirm the accuracy of data flows between HMRC and SLC, and onto the Department, in respect of borrower data (including earnings information) and repayment data. This provides assurance that borrower repayments data used in the valuation model is accurate and reliable.

Key audit matter – Valuation of the student loan book (undergraduate and postgraduate master's loans) – data inputs, model and assumptions	
	I tested repayments in year, by assessing the loans collected through the PAYE system by HMRC and repayments collected by SLC and confirming that the amounts collected are paid over to the Department in year and accounted for correctly. As the repayments through Self-Assessment by HMRC are not material, we performed a cash reconciliation, and no further specific procedures are performed on this figure. 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. I audited, using auditors' experts familiar with modelling and data analysis, the many components of the valuation model pipelines (undergraduate and postgraduate) used by the Department, including their outlay model, earnings models, repayments models and the associated undergraduate repayments' sub-models. This included analysing and assessing the code used in the models 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 is appropriate and I have assessed the appropriateness of key assumptions and considered whether there are any alternative measures or assumptions, or whether there is any management bias within the assumptions used. I have reperformed relevant 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. **Key observations** I performed extensive work on the key loan model pipelines and I am content that the method used is appropriate, that the estimated valuation of the loan book is in line with the modelling pipelines and their outputs, that the model data inputs are appropriate and complete, and the key assumptions are appropriate. The outcomes of the procedures I performed in response to this risk were satisfactory. I noted no material issues arising from my work. However, I draw attention to the disclosures made in note 1.3.5 and note 15 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 – Student loan commitments financial liability	
Description of risk The Department enters into irrevocable commitments to issue student loans where students have satisfied, or are expected to satisfy, the relevant eligibility conditions. At 31 March 2026, these commitments primarily related to loans due to be paid after the reporting date, including third-term maintenance and tuition fee loans and loans payable to students commencing courses in future periods. Through my audit work, I identified that these loan commitments had not previously been recognised or disclosed in the financial statements. IFRS 9 requires such commitments to be disclosed and, where they relate to loans issued at below-market interest rates, requires the expected losses associated with those commitments to be recognised as a financial liability at the reporting date. The effect of applying these requirements is material to the financial statements and, as a result, the Department restated the comparative figures and presented a third SoFP as at 1 April 2024. This resulted in the disclosure of loan commitments of £8.9 billion at 31 March 2025 and recognition of a related financial liability of £2.4 billion at 1 April 2024 and of £2.7 billion at 31 March 2025 that had not previously been reflected in the financial statements. At 31 March 2026, the Department reported loan commitments of £9.3 billion and recognised a related financial liability of £3.1 billion. The financial liability was a significant risk due to the materiality of the balances involved, the complexity of the accounting requirements, and the judgement required in estimating the value for recognition. There was a risk that the loan commitment population was incomplete or inaccurate, that the financial liability was not appropriately measured in accordance with IFRS 9, and that the prior-period restatement had not been accurately presented in the financial statements. The accounting treatment also gave rise to new judgements in the application of budgeting guidance and the implications for SOPS.	
How the scope of my audit responded to the risk	My audit procedures included testing the completeness and accuracy of the data used to calculate the student loan commitment balance and assessing the controls and processes used to compile the underlying information. I evaluated the Department's methodology for identifying loan commitments within the scope of IFRS 9 and assessed the judgements and calculations used to estimate the associated financial liability. This included challenging management's approach, assessing the reasonableness of key assumptions and independently recalculating elements of the liability. I also tested the prior-period adjustments arising from the recognition of loan commitments and the associated financial liability and assessed whether the comparative information and third SoFP had been appropriately presented.

Key audit matter – Student loan commitments financial liability	
	As part of my assessment of the impact on SOPS, I considered the budgeting treatment of these transactions. I confirmed that the Department had sought clarification from HMT on the interpretation of CBG, which confirmed that, for 2025-26 and 2026-27, the impacts arising from the recognition of the financial liability should be treated as non-budget transactions. **Key observations** Based on the evidence obtained, material misstatements were identified which required current year adjustments and a prior period restatement. No other material misstatements were identified. I am satisfied that the Department's presentation of the impacts within the SOPS is consistent with the CBG and the advice received from HMT. I concluded that the final loan commitment disclosure and associated financial liability were reasonably stated. I also concluded that the prior-period restatement had been appropriately reflected in the financial statements and that the related disclosures were adequate. My testing also identified a small number of errors within the underlying commitment data. Management corrected these errors and the resulting impact on the financial statements was not material.

Key audit matter – Regularity of grant expenditure

Description of risk

The Departmental Group pays out significant numbers and values of grants, £94 billion in resource grants and £7 billion in capital grants in 2025-26. The regularity of grant expenditure is inherently riskier than other types of expenditure incurred by the Departmental Group. This is because:

- the benefit of the underlying goods/services is received by a party other than the Department, so it is more difficult for the Department to determine if the benefit has been delivered in those circumstances where the primary legislation requires it to do so; and
- the accuracy of formula-driven grant allocations is dependent on the validity of the underlying data used to produce them which is often provided by the recipient themselves.

I therefore identified the risk of irregularity of grant expenditure across the Departmental Group as a significant risk and key audit matter.

This risk is group-wide, with key contributors being the Department itself and its £99 billion of grants and the Office for Students (OfS) with its £1.4 billion of grants.

Key audit matter – Regularity of grant expenditure	
How the scope of my audit responded to the risk	I reviewed the design and implementation of controls relevant to the monitoring, assessing and reporting of the regularity of grants. I tested the regularity of grants by selecting samples of grants by stream and tying these back to the authorising legislation and HMT approvals, 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, this is often derived from the Education Act 2002 and the Local Government Act 2003. For OfS, this is often derived from the Higher Education and Research Act 2017. Once determined, they become the requirements for grant spending to be regular. I judged that the materiality I set for my audit of the financial statements is also appropriate for my regularity opinion. For the majority of its grant expenditure, the Department's Funding and Financial Oversight: Assurance (FFOA) team undertake a programme of assurance work each year to provide assurance to the Department's Accounting Officer that public funds given to education providers have been used for the purposes intended. For grant streams under FFOA's remit, I tested the operating effectiveness of FFOA's work, which included verifying that FFOA had sufficient, appropriate evidence to confirm eligibility and appropriate use of funds. For grant streams administered by the Department that do not have a central testing function equivalent to FFOA, I risk-assessed these grants based on the level of hypothecation and restrictions in place for the grant. For higher risk grants, I selected a sample of grant payments to agree to supporting documentation and assessed compliance with the grant terms set by the Department. This involved seeking further evidence from the recipient regarding its use of funds where this is restricted. I also used substantive analytical procedures to predict total grant spend, where relevant data was publicly available, to assess the level of grant eligible to a recipient or group of recipients. This approach was taken for the devolved Adult Education Budget grants and the formulaic capital grants which are paid out as a block to recipients. This approach was also taken for the Pupil Premium, Teacher Pay and Pension grants, High needs and Universal infant free school meals and several other smaller grant streams.

Key audit matter – Regularity of grant expenditure	
	My Group audit work considered the risk of irregular grant expenditure within the components. As a result of this risk assessment I have reviewed the work performed as part of the OfS audit and I am content that the procedures performed appropriately addressed the risk of irregular grant expenditure. I have aggregated the level of irregularity identified in respect of grants, through the many strands of testing, to arrive at an overall conclusion. **Key observations** As a result of my testing, I estimated most likely irregular grant expenditure of £556 million which is immaterial (2024-25: £649 million estimated and £63 million known irregularity). My wider Group audit work, including for OfS, did not identify grant expenditure irregularities above the error reporting threshold explained in the next section. The outcome of the procedures I performed in response to this risk were satisfactory. I noted no material issues arising from my work.

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	£986,000,000	£983,000,000
Basis for determining overall account materiality	0.95% of grossed up P8 expenditure of £103 billion (£97 billion in 2024-25) excluding the expenditure impact of student loans as this is highly volatile. Materiality was not changed for the final outturn figures.	0.95% of grossed up P8 expenditure of £104 billion (£97 billion in 2024-25) excluding the expenditure impact of student loans as this is highly volatile. Materiality was not changed for the final outturn figures.

	Departmental Group	Department parent
Rationale for the benchmark applied	In determining materiality, I considered which measures are most relevant to the users of the financial statements, principally Parliament and other stakeholders interested in how the Department has effectively used taxpayers' money. I have identified gross expenditure as the most appropriate benchmark as it reflects the scale of the Department's activities and the extent to which it has delivered its objectives. Gross expenditure is the main driver of activity as voted on by Parliament and is the measure most likely to influence the users' understanding of the accounts. I have considered other benchmarks, and noted that net assets or profit, as is used by auditors in the private sector, are not appropriate given the nature of the Department, as a major public body who delivers public services as opposed to generates profit. I excluded the fair value movement of student loans from the benchmark calculation. This balance is volatile and does not reflect the underlying level of service delivery undertaken by the Department during the year. Using this balance could result in materiality being disproportionately influenced by valuation changes that are unlikely to affect users' assessment of the Department's use of public funds or delivery of its core objectives. 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 itself.

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 2025-26 audit (2024-25: 75%). In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period.

Other materiality considerations

There were no significant revisions to the materiality threshold as the audit progressed, as gross expenditure outturn figures were similar to the forecasted figures used to calculate materiality at planning. There were no revisions to the benchmark, percentage or performance materiality.

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 £1 million for true and fair purposes and £300,000 for regularity purposes, 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 increased net expenditure and decreased net assets by £552 million.

Audit scope

The scope of my Group audit was determined by obtaining an understanding of the Department's and its Group's environment, including Department and Group-wide controls, and assessing the risks of material misstatement at the Group level.

The Department for Education Group comprises the core Department and the 13 entities within its boundaries and has total Group net expenditure of £116 billion. The Group's largest component, the OfS, had grant expenditure of £1.4 billion.

I have audited the full financial information of the core Department, as well as the Group consolidation. The audits of the significant Group components were complete at the time of

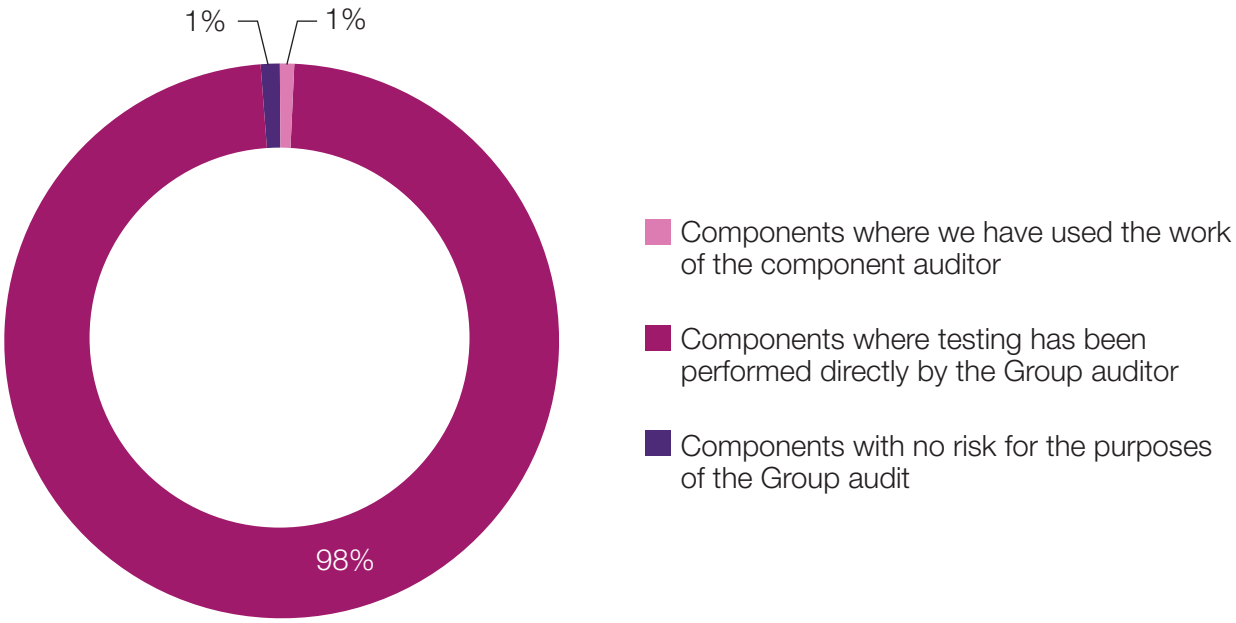
my completion of the Group audit. As Group auditor, I have gained assurance from the auditors of the components in respect of specific account areas in accordance with my risk assessment. I have engaged regularly with component auditors on the Group significant risks, including the regularity of grant expenditure. I asked component auditors to report issues and errors identified by exception and considered the impact of them on the Group audit.

I have used the work of component auditors for specific account areas which contribute to the significant risk of grant expenditure regularity, namely the OfS.

I covered 98% of the Group gross expenditure through the work directly performed by us as Group auditor and 1% through the work of component auditors. The remaining 1% of the Group gross expenditure is within components which have been assessed as having no risk for the purposes of the Group account. Where I am using the work of component auditors, I have evaluated their risk assessment and audit approach and instructed component auditors to perform specific work to support the Group audit opinion. I have reviewed the work performed by the component auditors in support of the Group audit opinion.

This work covered substantially all of the Group's assets and net 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.

Group coverage



Other information

The other information comprises the information included in the Annual Report and Annexes, 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 HMT 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 HMT 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 HMT's FReM have not been made or parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HMT 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 HMT directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HMT 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, Teaching and Higher Education Act 1998, 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 relevant component audit teams and the relevant internal specialists, including modelling teams, data and analytics teams and IT auditors 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: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates, the misuse of grant funding and manipulation of pupil numbers underpinning grant funding, and eligibility for student loan funding. 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, Teaching and Higher Education Act 1998, Education (Student Support) regulations, the Local Government Act 2003, Higher Education and Research Act 2017 and

legislation surrounding the payment of education grants, including the School and Early Years Finance (England) Regulations 2023 and The Skills and Post-16 Education Act 2022.

I considered the risks of irregularity relating to grants, where there is a risk that grant recipients may inappropriately submit grant claims, for example if the underlying activity did not occur or if grant conditions were not complied with.

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 issued by the Department for Education have been paid out and used by recipients in line with the Department for Education's framework of authorities; and
- I required component auditors to conduct appropriate procedures 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, including modelling teams and IT audit, and relevant 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 SOPS 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

12 November 2026

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 2026

		2025-26		2024-25	
		Department & Agencies	Group	Department & Agencies (Restated)	Group (Restated)
	Note	£m	£m	£m	£m
Income	5	(357)	(712)	(291)	(672)
Total income		**(357)**	**(712)**	**(291)**	**(672)**
Staff costs	6	570	868	525	815
Policy funding:	7				
resource		94,359	94,069	88,634	88,318
capital		6,816	6,910	5,340	5,506
Purchase of goods and services	8.1	318	529	272	474
Depreciation amortisation and other non-cash charges	8.2	5,820	5,892	284	347
Total operating expenditure		**107,883**	**108,268**	**95,055**	**95,460**
Net operating expenditure		**107,526**	**107,556**	**94,764**	**94,788**
Finance income		(17)	(34)	(15)	(34)
Finance expense		57	75	55	74
Other losses or (gains)	9	8,452	8,452	9,122	9,122
Net (gain) or loss on transfer of function	3	(1)	–	–	–
Net expenditure for the year		**116,017**	**116,049**	**103,926**	**103,950**
Other comprehensive expenditure					
Items that will not be reclassified to net operating expenditure:					
net (gain) or loss on revaluation of property, plant and equipment and right-of-use assets		–	–	–	2
actuarial (gain) or loss on defined benefit pension scheme		–	(1)	–	(9)
Total other comprehensive expenditure		**–**	**(1)**	**–**	**(7)**
Comprehensive net expenditure for the year		**116,017**	**116,048**	**103,926**	**103,943**

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

The notes on pages 212 to 311 form part of these accounts.

Consolidated Statement of Financial Position

As at 31 March 2026

		31 March 2026		31 March 2025		1 April 2024	
		Department & Agencies	Group	Department & Agencies	Group	Department & Agencies	Group
				(Restated)	(Restated)	(Restated)	(Restated)
	Note	£m	£m	£m	£m	£m	£m
Non-current assets							
Operational assets	10	220	293	233	304	251	317
Education sector assets	11	661	661	739	739	820	820
Intangible assets		364	438	295	384	270	352
Student loans	15	159,745	159,745	152,380	152,380	146,749	146,749
Other loans	16	360	749	330	741	246	680
Investments		81	81	76	76	68	68
Receivables	17	424	424	44	41	42	42
Total non-current assets		**161,855**	**162,391**	**154,097**	**154,665**	**148,446**	**149,028**
Current assets							
Assets held for sale		19	19	44	44	20	20
Student loans	15	6,046	6,046	5,486	5,486	4,233	4,233
Other loans	16	41	79	45	84	45	85
Receivables	17	631	685	686	723	444	474
Insurance contract assets	22	5	5	–	–	–	–
Cash and cash equivalents	18	768	869	502	636	892	1,056
Total current assets		**7,510**	**7,703**	**6,763**	**6,973**	**5,634**	**5,868**
Total assets		**169,365**	**170,094**	**160,860**	**161,638**	**154,080**	**154,896**
Current liabilities							
Payables	19	(2,487)	(2,600)	(2,520)	(2,639)	(2,957)	(3,055)
Insurance contract liabilities	22	(132)	(132)	–	–	–	–
Provisions	23	(5,837)	(5,872)	(60)	(87)	(69)	(75)
Loan commitment financial liabilities	24	(3,143)	(3,143)	(2,670)	(2,670)	(2,493)	(2,493)
Financial guarantees		(3)	(3)	(8)	(8)	(25)	(25)
Total current liabilities		**(11,602)**	**(11,750)**	**(5,258)**	**(5,404)**	**(5,544)**	**(5,648)**
Total assets less current liabilities		**157,763**	**158,344**	**155,602**	**156,234**	**148,536**	**149,248**

		31 March 2026		31 March 2025		1 April 2024	
		Department & Agencies	Group	Department & Agencies (Restated)	Group (Restated)	Department & Agencies (Restated)	Group (Restated)
	Note	£m	£m	£m	£m	£m	£m
Non-current liabilities							
Payables	20	(869)	(1,301)	(935)	(1,390)	(1,040)	(1,524)
Insurance contract liabilities	22	(180)	(180)	–	–	–	–
Provisions	23	(143)	(150)	(220)	(224)	(220)	(255)
Financial guarantees		(2)	(2)	(4)	(4)	(14)	(14)
Retirement benefit obligations		–	(13)	–	(12)	–	(20)
Total non-current liabilities		**(1,194)**	**(1,646)**	**(1,159)**	**(1,630)**	**(1,274)**	**(1,813)**
Assets less liabilities		**156,569**	**156,698**	**154,443**	**154,604**	**147,262**	**147,435**
Taxpayers' equity							
General Fund		156,569	156,633	154,443	154,514	147,255	147,325
Revaluation Reserve		–	5	–	3	7	9
Charitable Reserve		–	60	–	87	–	101
Total taxpayers' equity		**156,569**	**156,698**	**154,443**	**154,604**	**147,262**	**147,435**

Susan Acland-Hood
Accounting Officer

9 November 2026

The notes on pages 212 to 311 form part of these accounts.

Consolidated Statement of Cash Flows

For the year ended 31 March 2026

		2025-26		2024-25	
		Department & Agencies	Group	Department & Agencies (Restated)	Group (Restated)
	Note	£m	£m	£m	£m
Cash flows from operating activities					
Net expenditure for the year	SoCNE	(116,017)	(116,049)	(103,926)	(103,950)
Adjustments for non-cash transactions:					
student loan fair value loss	9	7,016	7,016	8,638	8,638
student funding overpayment fair value loss	9	631	631	–	–
loan commitments financial liabilities	9	473	473	177	177
remaining other gains or losses	9	286	286	307	307
de-recognition of education sector assets through leasing	11	234	234	265	265
depreciation, impairment and other non-cash charges	8.2	5,820	5,892	284	347
other adjustments		106	107	(18)	(4)
(Increase) in receivables		(119)	(148)	(256)	(278)
(Decrease) in payables		(99)	(128)	(497)	(504)
less movements in payables relating to items not passing through net operating costs		(91)	(68)	407	431
Increase in insurance contract liabilities		38	38	–	–
Utilisation of provisions		(25)	(52)	(169)	(209)
Settlement of financial guarantees		(10)	(10)	(25)	(25)
Finance income		(17)	(34)	(15)	(34)
Finance expense		57	75	55	74
Net cash outflow from operating activities		**(101,717)**	**(101,737)**	**(94,773)**	**(94,765)**
Cash flows from investing activities					
Finance income		17	34	3	22
Purchase and development of:					
operational assets		(11)	(19)	(25)	(45)
education sector assets		(203)	(203)	(251)	(251)
intangible assets		(120)	(137)	(101)	(134)
Proceeds on disposal of assets		13	13	7	7
Net (draw down)/repayment of:					
student loans	15	(16,023)	(16,023)	(15,832)	(15,832)
further education sector loans		(37)	(37)	(71)	(71)

		2025-26		2024-25	
		Department & Agencies	Group	Department & Agencies (Restated)	Group (Restated)
	Note	£m	£m	£m	£m
PF2 loan assets		–	39	–	39
academy sector loans		20	20	15	15
Net cash outflow from investing activities		**(16,344)**	**(16,313)**	**(16,255)**	**(16,250)**
Cash flows from financing activities					
Finance expense		–	(17)	–	(18)
Consolidated Fund Supply	SoCTE	118,403	118,403	110,737	110,737
PF2 loan liabilities repaid		–	(24)	–	(23)
Capital element of PF2 notional lease		(18)	(18)	(16)	(16)
Capital element of lease payments		(11)	(13)	(25)	(25)
Interest element of PF2 notional lease		(46)	(46)	(47)	(47)
Interest element of lease payments		(5)	(6)	(7)	(9)
Repayment of long-term investment		4	4	10	10
Net cash inflow from financing activities		**118,327**	**118,283**	**110,652**	**110,609**
Net increase/(decrease) in cash and cash equivalents before adjustment for receipts and payments to the Consolidated Fund		**266**	**233**	**(376)**	**(406)**
Payments of amounts due to the Consolidated Fund		–	–	(14)	(14)
Net increase/(decrease) in cash and cash equivalents after adjustment for receipts and payments to the Consolidated Fund	18	**266**	**233**	**(390)**	**(420)**
Cash and cash equivalents at the beginning of the year net of overdrafts		502	636	892	1,056
Cash and cash equivalents at the end of the year net of overdrafts		**768**	**869**	**502**	**636**

The adjustments for non-cash transactions are predominately made up of other gains and losses (note 9, here split between student funding fair value losses and other gains and losses), de-recognition of education sector assets under leases recognised as capital grants-in-kind (note 11) and depreciation, amortisation and other non-cash charges (note 8.2).

Other adjustments found in operating cash flows is predominately net insurance cash flows comprising revenue (note 5) and service costs (note 7).

The notes on pages 212 to 311 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2026

	Note	General Fund (Restated) £m	Revaluation Reserve £m	Charitable Reserve £m	Taxpayers' Equity (Restated) £m
Balance at 31 March 2024 as previously reported		**149,818**	**9**	**101**	**149,928**
Recognition of loan commitment financial liabilities	2	(2,493)	–	–	(2,493)
Restated balance at 1 April 2024		**147,325**	**9**	**101**	**147,435**
Net Parliamentary funding:					
drawn down		110,737	–	–	110,737
deemed		878	–	–	878
Supply payable adjustment		(502)	–	–	(502)
CFERs payable to the Consolidated Fund		–	–	–	–
Comprehensive expenditure for the year (restated)		(103,928)	(2)	(13)	(103,943)
Non-cash adjustments					
Auditor's remuneration	8.3	1	–	–	1
Movement in reserves					
Other fund movements		3	(4)	(1)	(2)
Balance at 31 March 2025 (restated)		**154,514**	**3**	**87**	**154,604**
Net Parliamentary funding:					
drawn down		118,403	–	–	118,403
deemed		502	–	–	502
Supply payable adjustment		(767)	–	–	(767)
CFERs payable to the Consolidated Fund		(1)	–	–	(1)
Comprehensive expenditure for the year		(116,024)	–	(24)	(116,048)
Non-cash adjustments					
Auditor's remuneration	8.3	2	–	–	2
Movement in reserves					
Other fund movements		4	2	(3)	3
Balance at 31 March 2026		**156,633**	**5**	**60**	**156,698**

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 (note 10) and education sector assets (note 11).

The Charitable Reserve represents total assets less liabilities related to the Group's training boards less unrealised revaluation adjustments to operational assets (note 10).

The notes on pages 212 to 311 form part of these accounts.



Department and Agencies Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2026

	Note	General Fund (Restated) £m	Revaluation Reserve £m	Taxpayers' Equity (Restated) £m
Balance at 31 March 2024 as previously reported		**149,748**	**7**	**149,755**
Recognition of loan commitment financial liabilities	2	(2,493)	–	(2,493)
Restated balance at 1 April 2024		**147,255**	**7**	**147,262**
Net Parliamentary funding:				
drawn down		110,737	–	110,737
deemed		878	–	878
Supply payable adjustment		(502)	–	(502)
CFERs payable to the Consolidated Fund		–	–	–
Comprehensive expenditure for the year (restated)		(103,926)	–	(103,926)
Non-cash adjustments				
Auditor's remuneration	8.3	1	–	1
Movement in reserves				
Other fund movements		–	(7)	(7)
Balance at 31 March 2025 (restated)		**154,443**	**–**	**154,443**
Net Parliamentary funding:				
drawn down		118,403	–	118,403
deemed		502	–	502
Supply payable adjustment		(767)	–	(767)
CFERs payable to the Consolidated Fund		(1)	–	(1)
Comprehensive expenditure for the year		(116,017)	–	(116,017)
Non-cash adjustments				
Auditor's remuneration	8.3	2	–	2
Movement in reserves				
Other fund movements		4	–	4
Balance at 31 March 2026		**156,569**	**–**	**156,569**

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 (note 10) and education sector assets (note 11).

The notes on pages 212 to 311 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).

FReM applies International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context. Where FReM permits a choice of accounting policy, the Group selects the 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.

The policies adopted by the Group for this year are detailed below and 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 requires the Department to prepare an additional primary statement. SOPS and supporting notes show outturn against Supply Estimate in terms of the Group's net resource requirement and the net cash requirement.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified for the revaluation of property, plant and equipment (PPE), investment properties, student loans, investments and certain financial instruments.

1.2 Going concern

This ARA is prepared 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, liabilities, income and expenditure. These assessments and underlying assumptions are based on historic and other factors, are reviewed regularly and are considered reasonable.

Management has made judgements on:

1.3.1 Accounting for capital expenditure and education sector assets

Given the scale of the Group's programmes to improve the condition of education sites, accounting for capital expenditure is complex. It involves judgements about which costs to capitalise as PPE and right-of-use assets (RoU assets), and when to de-recognise education sector assets.

Capitalisation of expenditure is reviewed monthly and at year end to determine the appropriate direct costs to capitalise for each identified asset, in line with 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 and student funding overpayment receivables – accounting classification

The Group has determined that student loans and student loan overpayment receivables (which have similar terms and conditions) have and exhibit properties that give rise to them being financial instruments. Therefore, the Group accounts for both asset types under IFRS 9 as adapted and interpreted by FReM. The key test for classifying financial assets for accounting purposes (fair value or amortised cost treatments) under IFRS 9 is the solely payments of principal and interest test (SPPI test).

The Group reviewed the repayment terms of student loans and loan overpayment receivables against IFRS 9's SPPI test and concluded that the repayment cash flows depend on the borrower's income. Additionally, student funding balances are written-off in certain situations, 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 funding asset types have been classified as fair value through profit or loss (FVTPL).

The split between current and non-current assets is based on our expectation of the timing of repayments for each asset type separately. Repayments forecast within the next 12 months comprise current assets and the remainder of either asset valuation is non-current.

1.3.3 Student loans – initial fair value

When student loans are issued, they are recognised at fair value. There are differences between the amounts advanced to students (transaction value) and the initial fair value of the loans (calculated as the discounted value of our cash flow expectations at loan issuance). Unlike commercial loans with known repayments, student loan repayments are dependent on a borrower's earnings and other loan terms such as repayment thresholds. Loan repayments forecast at issuance include the implied subsidy to the higher education sector (so called 'sector subsidy') and expected repayment performance evidenced by past performance of existing student funding. Our valuation technique uses data from unobservable markets (note 15), making these financial instruments a level 3 classification under IFRS 13 Fair Value Measurement (IFRS 13).

FReM's adaption number 5 to IFRS 9 applies where reporting bodies issue financial assets valued using unobservable inputs to valuation models (IFRS 13's level 3 approach). The adaptation requires new financial assets whose initial fair value results in a loss against transaction value to recognise the asset at fair value with the day 1 loss recognised in SoCNE.

The adaptation does not apply to financial assets whose day 1 fair value represents a gain to transaction value. Across the student loan portfolio, Plan 3 master's loan have day 1 gains so the adaptation does not apply to the initial treatment of those loans. In such cases the day 1 fair value gain is deferred off-ledger and the new financial asset is recognised at transaction value. Deferred day 1 gains are released in line with changes in variables a market participant would use to reprice the financial asset. Changes in deferred gains resulting from settlement

are recognised in SoCNE as part of the annual fair value movement and the asset's carrying value in SoFP. When student loans are cancelled, such as due to changes in circumstances, the deferred gain is removed but does not pass through SoCNE or SoFP (note 15.2).

Fair value gains and losses, including the release day 1 gains, are recognised within net operating expenditure (note 9).

1.3.4 Student loans – discount rate

FReM's interpretation number 4 of IFRS 9 mandates that where future cash flows are discounted to measure fair value, the Group use the higher of the financial instrument's intrinsic rate or government's real financial instrument discount rates set by HMT annually (hereafter referred to as the PES rate). The discount rates provided by HMT are based on an analysis of real yields on UK index linked Gilts and are appropriate to central government.

The Department is unable to identify intrinsic rates for loans so applies PES rates to discount expected cash flows. Discount rates and the underlying PES rates applicable for the last three years are given in note 15.2.

1.3.5 Student loans – modelling risk

The fair value of student loans is calculated as the present value of expected future cashflows. Unlike commercial loans, student loans do not have fixed contractual repayment schedules. Repayments depend on borrowers' future earnings, employment outcomes, loan plan terms and macroeconomic conditions. The Department therefore forecasts future repayments through separate model series called 'pipelines'. Undergraduate loans, postgraduate loans and advanced learner loans (ALLs) all have their own pipelines to reflect differences in the portfolios. Note 15.4 has more information.

The models use the best available inputs that the Department can reasonably incorporate, such as the OBR's latest macroeconomic forecasts. However, the valuation remains uncertain, because we are estimating repayments borrowers will make over the 30 to 40-year life of the loans. Those repayments depend on future borrower earnings and wider macroeconomic circumstances, both of which differ from forecasts over time.

Within the undergraduate modelling pipeline, data inputs with different effective dates are used in different models. Internal Group data to 1 August 2025 is used to forecast entrants to higher education. However, this data is not compatible with downstream models, which continue to use older data to 1 April 2025. Not using the August data in all models introduces some uncertainty, although this is not material (estimated at approximately £144 million although with its own estimation uncertainty). Methodological improvements are planned for next year to allow August data to be integrated across the pipeline.

Most models in the undergraduate pipeline involve stochastic or random processes. For example, the earnings model uses a random process to forecast possible earnings paths for each borrower. As the output of each model feeds into the next, the effect of these random processes builds across the pipeline. This means that the same inputs can produce a range of possible repayment forecasts. To reduce the resultant uncertainty, the pipeline is run five times and the central run is used as the undergraduate student loan book carrying value.

Postgraduate loans have been issued since 2016, so there is less historic data available than for undergraduate loans. This creates a higher degree of estimation uncertainty. For example, there is not yet enough data on individual postgraduate borrowers' earnings to train a postgraduate earnings model. As a result, postgraduate earnings are forecast using the undergraduate model, uplifted to reflect the postgraduate earnings premium which is itself an estimation on unobservable data.

1.3.6 Student loan overpayment receivables – modelling risk

Student loan overpayments have similar terms and conditions to student loans. Repayments can be made by one of three different approaches, including income contingent repayments similar to student loans. Consequently, we adopt similar modelling approaches for overpayments recovered through income contingent repayments as for student loans adjusted for the different asset type.

1.3.7 Student funding – estimation uncertainty

The valuation of student funding balances (student loans and loan overpayment receivables) is heavily reliant upon a large number of assumptions and modelling inputs, which introduce estimation uncertainty into the carrying values of those asset types. As noted elsewhere in this ARA, student loans differ from commercial lending in having variable terms including no known repayment values. Consequently, the Department has to apply more assumptions and inputs than a commercial lender might to value the two asset portfolios.

Assumptions and inputs are based on historic data following management judgements. Actual results may differ from the estimates applied. Revisions and updates to estimates may have a material impact on the values of student funding assets reported. Revisions to estimates take effect from the reporting year they are revised; changes do not impact prior years.

The Department performs sensitivity analysis on what we consider to be the key inputs. See note 15.4 for more information on our modelling approach and note 15.5 for the student loan sensitivity analysis.

Our undergraduate modelling approach involves randomisation, meaning the same inputs can generate different valuations in repeated model runs, which introduces further estimation uncertainty. Post-graduate modelling uses fixed seeds for sampling to produce reproducible outputs. For undergraduate modelling, we select the central run out of five model runs to minimise management bias in the choice of model run outputs applied to value student funding assets. At the year end, our undergraduate modelling run variations were as follows:

- lowest – £161.8 billion
- central – £162.1 billion
- highest – £162.6 billion

1.3.8 Student loans – release of deferred day 1 gains

Deferred day 1 fair value gains are recognised when they arise from changes in factors a market participant would use to value the underlying student loan assets. Management considers full settlement to be the strongest pricing indicator in the absence of contractual

repayments due to income contingent repayments. Other possible indicators are considered to cause immaterial differences to the full settlement release profile.

Deferred gains are released to SoCNE and SoFP through applying the ratio of cumulative master's loans fully settled over issued loan value to the year's opening deferred gains balance.

1.3.9 Revenue recognition through performance obligations

IFRS 15 Revenue from Contracts with Customers (IFRS 15) requires revenue to be recognised when the reporting entity has fulfilled performance obligations specified in its contracts with customers.

Management has applied judgement in two main areas:

- identifying performance obligations across IFRS 15 income streams
- assessing how these obligations have been satisfied, either at a point in time or over a period of time

Each income stream was reviewed separately to identify the obligations and how they were satisfied. Please see note 1.9 for more information on revenue recognition.

1.3.10 Leases – treatment of peppercorn leases

Management reviewed the large number of leases with nil consideration entered into by the Department to support the academy and further education 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, these peppercorn leases are considered within the scope of IFRS 16.

1.3.11 Leases – short-term leases

FReM requires departments to adopt the exemption where neither a RoU asset nor a 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.

1.3.12 Leases – low value assets

FReM requires departments to apply the exemption to retain an expense treatment for lease costs of assets classified as low value. Low value is not based on a monetary threshold but rather an assessment of the asset's inherent value to the reporting body. The standard excludes motor vehicles from this exemption.

Management judges that leased office equipment to be low value, as these assets are ancillary to the Group's operations, are consumable and generic. All office equipment leases have been classified as low value.

1.3.13 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.

1.3.14 Leases – classification of outbound leases

When freehold or leasehold assets (referred to as parent assets in this ARA) are leased out to third parties, IFRS 16 requires an assessment of 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. If the lease is judged to transfer the majority of risks and rewards, it is classified as a finance lease, otherwise it is considered to be an operating lease.

For finance leases, the parent asset, to the extent covered by the outbound lease, is de-recognised once control is deemed to have passed to our tenant. Control is considered to pass once the lease has been signed with the tenant, or in the case of providers, when a licence to occupy the site lawfully has been signed prior to signing the final long-term lease. When a de-recognised parent asset is leased out under a commercial finance lease, a lease receivable is recognised for future lease receipts.

For operating leases, the parent asset, to the extent covered by the outbound lease, is reclassified as investment property. Under FReM's adoption of IAS 40 Investment Properties such assets are held at fair value and not depreciated.

1.3.15 Loan commitment financial liabilities – IFRS 9 designation

IFRS 9 allows accounts preparers to irrevocably designate at inception certain financial liabilities from amortised cost to FVTPL. One of the permitted reasons to designate to FVTPL is to remove significant accounting mis-matches between portfolios of financial assets and liabilities.

Whilst separate financial instruments, loan commitment financial liabilities exist prior to the borrower drawing down against their loan agreement to generate new student loan financial assets. Loan commitment financial liabilities are extinguished when loan drawn downs occur. Without a designation to FVTPL, loan commitment financial liabilities would be subsequently measured at the higher of their expected credit loss or initial recognition value less income.

Management judges that without designating loan commitment financial liabilities to FVTPL there is a significant accounting mis-match between the treatment of loan commitment financial liabilities (amortised cost) and loan assets (FVTPL).

1.4 Basis of consolidation

These accounts present the consolidation of the Department, executive agencies and other bodies within the departmental accounting boundary as defined by FReM, forming the Group. Transactions between entities included in the consolidation are eliminated to present the Group's financial performance and financial position as a single economic entity.

The Department is authorised to consolidate its Agencies and NDPBs under the GRAA. A department's designation order specifies the bodies that are required to be included within a department's consolidated accounts, as all such bodies are considered public bodies.

As permitted by IFRS 10 Consolidated Financial Statements, the results and financial position of the following NDPBs have been consolidated as of 31 December 2025, 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 further education sector has been excluded from this consolidated ARA under a derogation to consolidate issued by HMT. In December 2025, Parliament approved the budgeting and reporting approach, further education sector spending is expected to be reported in SOPS from 2027-28. The Department will produce a further education sector annual report and accounts, reporting to 31 July, instead of consolidating the sector into the Department's Group ARA.

1.5 Adoption of FReM amendments

There have been the following amendments to FReM for this year.

1.5.1 IFRS 17 Insurance Contracts

From 1 April 2025 IFRS 17 replaced IFRS 4 Insurance Contracts. The date of initial application is 1 April 2025, with a transition date of 1 April 2024.

See note 1.17 for more information.

1.5.2 Non-investment asset valuations

An adaptation to IAS 16 has been introduced that withdraws the requirement to revalue an asset where its fair value materially differs from its carrying value. Assets are now valued using one of the following processes:

- a quinquennial revaluation supplemented by annual indexation
- a rolling programme of valuations over a five-year cycle, with annual indexation applied to assets during the four intervening years
- for non-property assets only, appropriate indices
- in rare circumstances where an index is not available, a quinquennial revaluation supplemented by a desktop revaluation in year three

The option to measure intangible assets using the revaluation model is withdrawn. The carrying values of intangible assets at 31 March 2025 will be considered the historical cost at 1 April 2025.

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

To comply with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8), the Group must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Group reviewed such IFRSs, to assess their impact on its accounting policies and treatment.

1.7.1 IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and is effective for annual reporting periods beginning on or after the 1 January 2027 in the private sector. The impact of IFRS 18 on the public sector is still being assessed, and a decision has not yet been taken on an implementation date.

1.7.2 IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 allows eligible subsidiaries to apply IFRSs with reduced disclosure requirements and is effective for annual reporting periods beginning on or after the 1 January 2027 in the private sector. The impact of IFRS 19 on the public sector is still being assessed, and a decision has not yet been taken on an implementation date.

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 by operating segments. The Group has assessed that all operations 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 FReM, it has not been included in these accounts.

1.9 Income

Income is authorised in the Supply Estimate (such as general administration receipts and income from other departments) and may include income to the Consolidated Fund that HMT has agreed should be retained by the Group and treated as operating income.

Income is stated net of recoverable VAT where applicable.

The Group receives the following income streams and accounts for them as follows:

1.9.1 Revenue from contracts (IFRS 15)

Revenue is recognised once the Group has completed performance obligations. The nature of the obligations differs between contract types.

Levy income

Levy income is collected from construction and engineering sector employers under statute by CITB and ECITB based on an annual assessment period. Payment of the levies does not create additional rights for construction sector employers from the Group.

Since there are no additional rights for employers, the satisfaction of levy performance obligations is judged to occur at a point in time rather than over the levy period. Consequently, levy income is fully recognised immediately upon raising the annual assessments.

If there are doubts about the collectability of levy income due to ageing, past experience, or other known factors, an impairment allowance is recognised.

The Group does not recognise apprenticeship levy income, which 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 are authorised 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.

Unlike levy income, registration fee satisfaction is judged to occur over the registration year. Social care practitioners benefit from registration over time by being able to operate in the sector. Higher education providers consume the benefit through continued operation as an authorised provider who is able to offer student loans. Therefore, registration fee revenue is deferred and recognised evenly across the year.

If there are doubts about the collectability of registration fees due to ageing, past experience, or other known factors, an impairment allowance is recognised.

Capital contributions

The Group has standardised the specifications for new school buildings. In some cases, the Group agrees with a school's responsible body (such as a local authority, academy trust or foundation body) to exceed these standards. In such cases a capital contribution is then agreed with the responsible body to fund the upgrade.

The Group considers the completion of the additional design specification as indivisible from the overall school construction programme. Therefore, the performance obligation is satisfied continuously 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 the completion of training or despatch of goods. There is no significant timing difference between the satisfaction of performance obligations 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. Although 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 day-to-day servicing of loans, which extends for twelve months beyond each annual servicing period ending on 31 March
- payment of loan repayments to each loan sale counterparty in July of the year following each servicing year ending in March

Management considers the first performance obligation to be satisfied on an ongoing basis, as the customer benefits from the actions as they are completed. Revenue from normal servicing activities is deferred over each two-year cycle. The second obligation is settled at a point in time, when cash is moved, 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, 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. 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 Insurance revenue (IFRS 17)

The Group recognises revenue generated from insurance contracts in accordance with IFRS 17. Revenue is recognised within cover years in line with each cover year's insurance service costs.

1.10 Grant financing and grant-in-aid

Funding to the Department's Agencies and NDPBs through financing and grant-in-aid payments is reported on a cash basis in the period in which payments are made. Grant financing and grant-in-aid as well as any intra-group grants between the consolidated bodies, are eliminated within the Group.

1.11 Policy funding

1.11.1 Policy funding expense

Expenditure to support the Group's policy aims is delivered in three main ways:

- grant funding payable under legislation, such as NFF payments funding local authority-maintained schools and academies

- other funding, such as contractual payments to providers, for example apprenticeship training providers
- insurance service expenses, incurred through the risk protection arrangement

Recognition of the entitlement to grant or other funding varies according to the individual programme.

Grant funding

Grants are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs.

Contractual funding

Contractual funding expenditure is recognised based on the terms of the contract. Additionally, contractual funding is generally provided based on post-activity claims made by the end user to the agency providing a measure of certainty of outcome.

Insurance service expenses

The discounted present value of expected losses arising from insured events which occur in cover years is recognised as an expense during the cover year.

1.11.2 Policy funding recoveries

Policy funding may result in overfunding or unspent amounts. The Group does not recognise a prepayment if the end user has not spent the funding due to timing or delays. However, if 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

Overfunding can occur when the payment profile, established before the final grant obligation is known, is larger than the final obligation. This results in accelerated funding before the grant obligation is finalised.

The Group seeks to recover overfunding by reprofiling future funding payments to align total payments with the final funding obligation. If overfunding is identified early in the funding period, recovery will occur within the same programme period. If identified later, recovery will occur in the next grant cycle. This approach is suitable for annual funding payments, such as general annual grant funding for academies.

Unspent amounts

Sometimes recipients cannot use time bound funding as intended, leaving funds unspent within the stipulated timescale. If the Group decides to recover these unspent amounts, a claim will be made to the recipient. This approach is more common for single funding payments where there are no future payments to reprofile as described above.

1.12 Leases

1.12.1 Lessee accounting

Right-of-use assets

The Group recognises a RoU asset and lease liability (for commercial leases) at commencement date. The RoU asset is initially measured at cost, which includes the initial value of the lease liability adjusted for initial direct costs, prepayments or incentives, and costs related to restoration at the end of the lease. For peppercorn leases of provider development sites, the initial value is based on the 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 PPE assets. The cost measurement model in IFRS 16 is used as an appropriate proxy for current value in existing use or fair value for most leases, except for those which meet one of the following:

- are longer-term leases with no provisions to update lease payments for market conditions or have a significant period between updates
- have underlying assets whose fair value or current value in existing use is likely to fluctuate significantly due to market price changes

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 RoU assets are determined similarly to those of property, plant, and equipment assets. The Group applies IAS 36 Impairment of Assets to determine if the RoU asset is impaired and to account for any identified impairment loss.

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. The applicable HMT discount rates (applicable for calendar years) for leases entered into during the two financial years presented were:

- 2024 – 4.72%
- 2025 – 4.81%
- 2026 – 5.32%

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 due to a change in the index or rate, 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:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index rate at the commencement date

When the lease liability is re-measured, a corresponding adjustment is made to the RoU asset or recorded in SoCNE if the carrying amount of the RoU asset is £nil.

1.12.2 Lessor accounting

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease. This classification is based on whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If it does, then the lease is a finance lease, if not, 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 is classified as an operating lease.

Where the outbound lease is classified as a finance lease, the parent asset is de-recognised from SoFP as a capital grant-in-kind.

The Group recognises receipts from outbound leases classified as operating leases as income on a straight-line basis over the lease term.

1.13 Property, plant and equipment

The minimum level of capitalisation for expenditure on PPE ranges between £500 and £10,000 across the Group. For 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 initially measured at cost and are restated to current value (depreciated replacement cost) using external professional valuations in accordance with the FReM adaptation of IAS 16 every five years, and in the intervening years using appropriate indices supplied by the Valuation Office. The Group has stated other PPE at existing use value using appropriate indices published by ONS. Some assets are of short life and low value and have used depreciated historical cost as a proxy for fair value.

The Group measures the value of freehold assets under construction (AuC) at cost plus direct costs directly attributable to bringing the assets into working condition in line with IAS 16.

Direct costs include all costs associated with purchasing the land and property and bringing the assets into use, and a fair proportion of the Group's internal costs. Additional funds to complete development are recognised as capital grants-in-kind.

1.14 Education sector assets

One of the Group's purposes is identify, acquire and develop to operational use premises or sites for use by education providers. Development sites, whether freehold (note 1.13) or leasehold (note 1.12), are recognised by the Group as AuC (freehold or leasehold) until the site is complete and leased to a provider or third-party. The post-lease accounting treatment for completed sites follows the lessor policy outlined in note 1.12.2.

In some cases, circumstances may prevent the AuC from being opened as a provider, or previously operational sites may be closed and returned to Group control. These assets will be recognised and treated under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (commonly termed 'assets held for sale' or AHfS). Any difference between carrying value and fair value would be recognised as an in-year impairment and the asset would be presented separately.

1.15 Depreciation

Depreciation is provided at rates calculated to write-off the valuation of owned or leased buildings and other PPE by equal instalments over their estimated useful lives. Land, AuC 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)

1.16 Financial instruments

The Group applies IFRS 7 Financial Instruments: Disclosures (IFRS 7), IAS 32 Financial Instruments: Presentation and IFRS 9. Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

1.16.1 Financial assets

Financial assets include cash and cash equivalents, receivables (trade and others) and loans. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value, typically the transaction price plus, for 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 and are not quoted on an active market
- student funding grant overpayment receivables, which do not carry interest and 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, which include cash in hand and on demand deposits

If there are restrictions on the Group's ability to access cash, such as being held in escrow with a solicitor pending a property transaction, these restrictions are disclosed separately in the notes to the accounts. However, in accordance with IAS 7 Statement of Cash Flows, the Group continues to present these balances as cash in SoFP and Statement of Cash Flows.

The above asset types are subsequently recognised at amortised cost using the effective interest method. Carrying values are based on initial fair value adjusted for interest charges and repayments. Appropriate impairment allowances for estimated irrecoverable amounts are recognised in SoCNE based on expected losses for a particular asset, or group of assets. The impairment allowance 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 carried at FVTPL include student funding (loans and loan overpayment receivables) and investments.

Student funding

Student funding assets (loans and loan overpayment receivables) are classified to FVTPL because management considers both asset types to fail the SPPI test due to their terms and conditions. Loan overpayment receivables include loan overpayments arising from changes in individual circumstances and weekend-only courses. Weekend-only overpayment receivables are reported as part of student loans.

More information about the measurement techniques used to determine the fair value of student loans and loan overpayment receivables is provided in note 15.

Investments

The Group holds quoted investments recognised at fair value, calculated as the closing bid price at the year end. Movements in fair value are recognised in profit and loss.

Additionally, the Group holds a retention note issued by the body that acquired student loans securitised in December 2018. The financial 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 recognised as gains or losses in note 9.

1.16.2 Financial liabilities

Financial liabilities include trade and other payables, loan liabilities and loan commitment financial liabilities. The Group does not have complex derivative financial instruments. Financial guarantees are designated as FVTPL on inception. The Group determines the classification of its financial liabilities at initial recognition.

Amortised cost

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. These loans are stated at their face value on initial recognition. Subsequently, interest-bearing loans are measured at amortised cost, which includes all direct costs associated with the loans.

Financial guarantees: are initially recognised at fair value on the date the guarantee is 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 the cumulative effect of income recognised

Fair value through profit or loss

The Group recognises financial liabilities arising from student loan commitments issued at below-market interest rates which are initially recognised at fair value. Recognition of loan commitment financial liabilities occurs when loan arrangements are agreed between the borrower and the Department. Loan commitment financial liabilities are designated to FVTPL at inception, so are subsequently measured at fair value. See note 1.19 for more information.

1.17 Insurance contracts

In adopting IFRS 17 for our risk protection arrangement activities management has made the following significant judgements:

1.17.1 Existence of insurance contracts

The standard defines insurance contracts as those contracts under which the Group accepts significant insurance risk from a policyholder. Significant insurance risk criteria are met if, and only if, an insured event could cause an insurer to make significant additional payments to a policyholder in any scenario at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

The Group has reviewed the nature of its relationship with RPA members and is satisfied that such business transfers significant insurance risk to the Group from members.

Therefore, we have treated the contracts as insurance contracts for the purposes of these financial statements.

The judgment remains unchanged from the previous IFRS 4 approach.

1.17.2 Level of aggregation

The Department provides the same degree of cover across the same five cover types to academy trusts and local authority-maintained schools. Cover is provided across contracts based on the financial years of the members, twelve months to 31 August (academy trusts) and 31 March (maintained schools).

Accordingly, we aggregate contracts into separate academy trust and maintained school portfolios, renewing each year.

As well as annual groups for academy trusts and maintained schools, the Department also groups contracts if they are judged to be onerous. Contracts are onerous if fulfilment cashflows are negative. However, since we are adopting the premium allocation approach (PAA), IFRS 17 allows for a simplified approach to onerous contracts. Under the PAA the standard assumes there are no onerous contracts at inception, however that can change over the life of a group of contracts.

1.17.3 Recognition

Insurance contracts are recognised at the earlier of cover commences or premiums become due, Annual cover years start on the 1 September (academies) or 1 April (maintained schools). Fees are recovered through deducting at source from grant payments. Fees for academies are recovered monthly from general annual grant payments, whereas for maintained schools we recover the whole annual fee from the April dedicated schools grant. In both cases fees are not recovered in advance of cover starting.

Therefore, insurance contracts are recognised on the first day of either cover years with a liability for remaining coverage (LfRC) being recognised for the present value of the expected annual fee.

The full fee is recognised in each cover year based on the profile of insurance service costs. Insurance revenue is recognised during a cover year which reduces the LfRC over the period of a cover year. A final adjustment at the end of the cover year is made to recognise all remaining revenue arising from the cover year.

1.17.4 Measurement – premium allocation approach (PAA)

The Department has chosen to adopt the PAA to measure the value of its insurance contracts. IFRS 17 allows for a reporting body to PAA when the cover period is for twelve months or less and the use of PAA will not significantly change the value of LfRC from the full approach. In addition, the accounting standard states that where insurance contracts are for twelve months or less, they do not have material valuation difference if valued through PAA. The Department's insurance contracts do not contain direct participation features.

Consequently, the Department judges it is appropriate for the PAA to be adopted to value its insurance contracts.

The LfRC is initially valued at the present value of expected fees receivable, which is then reduced over a cover year as revenue is recognised. The liability for incurred claims (LfIC) is initially valued at the present value of expected claims occurring in a cover year. The liability is reduced as insurance services are provided to counterparties in response to claims arising. Insurance service expenses are recognised when claims are accepted.

1.17.5 Discount rate

The Department has chosen to apply discount rates based on the risk-free rates published by the Prudential Regulatory Authority, which are then adjusted to remove non-relevant factors. This approach is allowed for in FReM and represents a move away from applying the general financial instrument rates promulgated by HMT.

The Department judges that the authority's rates (as adjusted) are a better fit for the Department insurance claims (their nature and duration) than the more general PES rate.

1.18 Provisions

The Group recognises a provision where the following criteria are met in accordance with IAS 37. The criteria are as follows:

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

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

The Group applies discount rates supplied by HMT which are split by time frame. For this year end the rates are:

- short-term (cash flows up 5 years from the year end) – 3.64%
- medium-term (cash flows from 5 to 10 years from the year end) – 4.22%
- long-term (cash flows from 10 to 40 years from the year end) – 5.32%

1.19 Loan commitment financial liabilities

Student loan commitments are created when lending arrangements are agreed between students and the Department. Loan commitments are not recognised on SoFP but are disclosed as capital commitments (note 25.1) since student loan assets are created when students draw down against their lending agreements. Loan commitments are extinguished when students draw down funds.

In accordance with IFRS 9, financial liabilities are recognised where loan commitments are agreed with borrowers at below-market interest rates. The existence of day 1 fair value losses for student loans is taken as evidence of below-market interest rates. Loan commitment financial liabilities are designated to FVTPL at inception (note 1.3.15) and are recognised at fair value.

Loan commitment financial liabilities are valued by applying the day 1 loss rate to the value of the loan commitment. Valuations are calculated by plan type cohort to allow for differences in loss performance across cohorts. (See note 15 for more information about plan type cohorts.) Loan commitment financial liabilities are de-recognised when the exposure is extinguished through borrowers drawing down against their lending agreements.

The Department applies forecast day 1 loss rates in both initial valuations and subsequent year end revaluations. As part of the year end student loan valuation exercise, the Department forecasts what we expect the day 1 loss rates will be for the following financial year. The forecast rates are the best estimate of the student loan asset day 1 losses which will be recognised in the coming year. As such we consider these loss rates to be the best estimate of the both the initial valuation and year end revaluation of loan commitment financial liabilities.

1.20 Contingent liabilities

Where the time value of money is material, contingent liabilities required to be disclosed under IAS 37 are stated at discounted amounts, with the amount reported to Parliament noted separately. Remote contingent liabilities not required to be disclosed by IAS 37 are disclosed in the Parliamentary accountability and audit report and stated at the amounts reported to Parliament.

1.21 Value added tax

Most of the Group's activities are outside the scope of VAT. Generally, 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.

1.22 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 constructed and 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 PF2 are not recognised by the Group. According to the Group's asset recognition approach for PSBP assets, the Group does not recognise school assets 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. Instead, the Group recognised the value of the assets during construction as capital grants-in-kind.

Applying IFRIC 12 results in the Group recognising the financing liability arising from constructing the assets. This 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 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. Restatement

The following tables present how the prior years' primary statements have been restated following the recognition of loan commitment financial liabilities this year (note 24). The previous non-recognition treatment was an accounting error. IAS 8 requires material accounting errors to be corrected. If material errors are applicable to prior years those years are restated to the correct treatment.

In addition to the recognition to loan commitment financial liabilities, the accounting error also encompassed the non-disclosure of student loan commitments. Loan commitments are not recognised in SoFP or SoCNE so are not included in the tables below. Correcting the error resulted in loan commitments of £9.3 billion (prior year: £8.9 billion) being disclosed in note 25.1.

HMT have confirmed that loan commitment financial liabilities do not score for budgets, so the restatement has no effect on the prior year's outturn reported in SOPS.

2.1 2024-25

	Department & Agencies			Group		
	As originally presented	Loan commitment financial liabilities	Restated as at 31 March 2025	As originally presented	Loan commitment financial liabilities	Restated as at 31 March 2025
	£m	£m	£m	£m	£m	£m
Statement of Comprehensive Net Expenditure						
Other losses and gains	8,945	177	9,122	8,945	177	9,122
Net expenditure for the year	**103,749**	**177**	**103,926**	**103,773**	**177**	**103,950**
Comprehensive net expenditure for the year	**103,749**	**177**	**103,926**	**103,766**	**177**	**103,943**
Statement of Financial Position						
Current liabilities						
Loan commitment financial liabilities	–	(2,670)	(2,670)	–	(2,670)	(2,670)
Net assets	**157,113**	**(2,670)**	**154,443**	**157,274**	**(2,670)**	**154,604**
Statement of Cash Flows						
Cash flows from operating activities						
Net expenditure for the year	(103,749)	(177)	(103,926)	(103,773)	(177)	(103,950)
Adjustments for non-cash transactions:						
Loan commitment financial liabilities	–	177	177	–	177	177
Net cash outflow from operating activities	**(94,773)**	**–**	**(94,773)**	**(94,765)**	**–**	**(94,765)**
Statement of Changes in Taxpayers' Equity						
Balance as at 1 April 2024						
General Fund	149,748	(2,493)	147,255	149,818	(2,493)	147,325
Taxpayers' Equity	149,755	(2,493)	147,262	149,928	(2,493)	147,435
Comprehensive expenditure for the year						
General Fund	(103,749)	(177)	(103,926)	(103,751)	(177)	(103,928)
Taxpayers' Equity	(103,749)	(177)	(103,926)	(103,766)	(177)	(103,943)
Balance as at 31 March 2025						
General Fund	157,113	(2,670)	154,443	157,184	(2,670)	154,514
Taxpayers' Equity	157,113	(2,670)	154,443	157,274	(2,670)	154,604

	Department & Agencies			Group		
	As originally presented	Loan commitment financial liabilities	Restated as at 31 March 2025	As originally presented	Loan commitment financial liabilities	Restated as at 31 March 2025
	£m	£m	£m	£m	£m	£m
Notes to the Accounts						
Note 24 Loan commitment financial liabilities						
Value at 1 April 2024	–	(2,493)	(2,493)	–	(2,493)	(2,493)
Value at 31 March 2025	–	(2,670)	(2,670)	–	(2,670)	(2,670)
Note 25.1 Capital commitments						
Student loan commitments	–	8,907	8,907	–	8,907	8,907

2.2 2023-24

	Department & Agencies			Group		
	As originally presented	Loan commitment financial liabilities	Restated as at 1 April 2024	As originally presented	Loan commitment financial liabilities	Restated as at 1 April 2024
	£m	£m	£m	£m	£m	£m
Statement of Financial Position						
Current liabilities						
Loan commitment financial liabilities	–	(2,493)	(2,493)	–	(2,493)	(2,493)
Net assets	**149,755**	**(2,493)**	**147,262**	**149,928**	**(2,493)**	**147,435**
Statement of Changes in Taxpayers' Equity						
Balance at 31 March 2024						
General Fund	149,748	(2,493)	147,255	149,818	(2,493)	147,325
Taxpayer's Equity	149,755	(2,493)	147,262	149,928	(2,493)	147,435

3. Transfers of function

The Department completed three transfers of function during the year, one external to the Group and two internal.

3.1 Internal transfers

	ESFA to the Department	IfATE to the Department	IfATE to Skills England	Total
	£000	£000	£000	£000
Non-current assets				
Intangible assets	37,152	–	2,997	40,149
Other loans	237,846	–	–	237,846
Receivables	1,402	–	–	1,402
Total non-current assets	**276,400**	**–**	**2,997**	**279,397**
Current assets				
Other loans	22,140	–	–	22,140
Receivables	131,720	–	113	131,833
Cash and cash equivalents	617	–	1,266	1,883
Total current assets	**154,477**	**–**	**1,379**	**155,856**
Total assets	**430,877**	**–**	**4,376**	**435,253**
Current liabilities				
Payables	(545,950)	(713)	(2,343)	(549,006)
Provisions	–	–	(288)	(288)
Total current liabilities	**(545,950)**	**(713)**	**(2,631)**	**(549,294)**
Net assets or (liabilities) transferred	**(115,073)**	**(713)**	**1,745**	**(114,041)**

Department and Agencies vs Group

	Department & Agencies	Group
	£000	£000
Net (gain) or loss recognised in SoCNE	**(1,032)**	**–**

The net gain recognised in SoCNE at the Department and Agencies reporting level is comprised of the net assets transferred from IfATE to both the Department and Skills England. These net assets moved from the Group reporting level to the Department and Agencies level, so are visible in the primary statements.

The ESFA transfer produced equal and opposite entries, ESFA's transfer out and the Department's transfer in. Since the transfers occurred wholly within the Department and Agencies reporting level they offset each other.

All transfers occurred within the Group so the transfer values all net to zero which is why there is no reportable net gain or loss at the Group reporting level.

3.2 External transfer

On 1 September 2025 responsibility for the Young Futures Hubs programme transferred to the Department for Culture, Media & Sport. This was accounted for using the transfer by merger approach as the transfer crossed departmental group boundaries. In line with FReM the financial impact has been backdated to the start of the current financial year. As the programme was new in this year there was no restatement of prior years and no transfer of assets or liabilities.

4. Segmental reporting

Information on operating activities, financial results, forecasts and plans is presented to and reviewed by the Leadership Team.

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 is not reviewed by management and consequently is not provided here.

Note 4.1 presents performance analysed by business segment which reconciles 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 4.2 provides a reconciliation to the net expenditure for the year presented in SoCNE.

4.1 Segmental analysis of total outturn per SOPS

	2025-26			2024-25		
	Gross expenditure	Income	Net expenditure	Gross expenditure	Income	Net expenditure
	£m	£m	£m	£m	£m	£m
Families Group	9,559	–	9,559	8,423	–	8,423
Schools Group	74,771	(354)	74,417	65,395	(372)	65,023
Skills Group	73,557	(18,857)	54,700	76,089	(19,946)	56,143
Operations and Infrastructure Group	6,416	(241)	6,175	5,053	(292)	4,761
Regions Group	210	(2)	208	277	(2)	275
Strategy Group	169	(17)	152	197	(9)	188
Total	**164,682**	**(19,471)**	**145,211**	**155,434**	**(20,621)**	**134,813**

Additional analysis of segmental budgetary performance can be found in Annex A. Details about policy spending by business group by programme are provided in note 7.

4.2 Reconciliation between operating segments (per outturn) and SoCNE net expenditure

2025-26

	Net expenditure per segmental analysis	Reconciling items		Net expenditure per SoCNE
		Income and gains	Expenditure	
	£m	£m	£m	£m
Families Group	9,559	–	(4)	9,555
Schools Group	74,417	287	(234)	74,470
Skills Group	54,700	5,170	(34,329)	25,541
Operations and Infrastructure Group	6,175	54	(96)	6,133
Regions Group	208	2	(8)	202
Strategy Group	152	–	(4)	148
Total	**145,211**	**5,513**	**(34,675)**	**116,049**

2024-25

	Net expenditure per segmental analysis	Reconciling items		Net expenditure per SoCNE
		Income and gains	Expenditure	
			(Restated)	(Restated)
	£m	£m	£m	£m
Families Group	8,423	–	(2)	8,421
Schools Group	65,023	312	(298)	65,037
Skills Group	56,143	4,845	(35,615)	25,373
Operations and Infrastructure Group	4,761	136	(229)	4,668
Regions Group	275	–	(7)	268
Strategy Group	188	–	(5)	183
Total	**134,813**	**5,293**	**(36,156)**	**103,950**

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, RoU assets and intangible assets).

Schools Group includes (note 11):

- of the £287 million income and gains, £234 million is education sector assets de-recognised through outbound leases (prior year: £312 million and £265 million respectively)
- of the £234 million expenditure, £178 million is additions of education sector assets (prior year: £298 million and £241 million respectively)

Skills Group includes in relation to student loans (notes 15 and 24):

- almost all of the £5.2 billion income and gains reconciling item is student loan repayments (prior year: £4.8 billion)
- almost all of the £34.8 billion expenditure (prior year: £35.8 billion) reconciling item can be attributed to:
  - £21.2 billion student loan advances (prior year: £20.7 billion)
  - £13.6 billion capitalised loan interest (accounted for as part of the annual fair value movement) (prior year: £15.1 billion)
  - £473 million fair value losses incurred by student loan commitment financial liabilities which are not scored to budgets (prior year: £177 million loss, restated)

5. Income

5.1 Revenue analysis

	2025-26		2024-25	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Income from contracts				
Levy income	–	261	–	267
Fees and charges	44	91	40	85
Sale of goods and services	11	54	5	66
Capital contributions	46	48	39	39
Other	10	11	3	9
Other income				
Insurance contract revenue	151	151	–	–
RPA income	–	–	125	125
Funds from other government departments	93	94	78	79
Rental income	2	2	1	2
Total	**357**	**712**	**291**	**672**

In prior years RPA fee income was recognised evenly across coverage years. Following the adoption of IFRS 17, RPA insurance revenue is recognised in line with insurance service costs (note 7) to present profit earned in the year.

5.2 Revenue streams

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.

Registration fees

Annual registration fees are charged to social care professionals and higher education providers to enable them to operate in their respective fields. Practitioners must register with the Group's regulator (SWE) each year to retain authorisation to practice. Under the Higher Education and Research Act 2017, higher education providers must 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 or university title

Sales of goods and services

Revenue 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 recognised immediately rather than deferred.

Capital contributions

The Group invests in 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 may amend the standard design specifications at their own cost. Once revised designs are agreed and costed the Group invoices 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. Revenue is recognised evenly over the construction period; income received in advance from responsible bodies is deferred to SoFP.

Other income

Insurance contract revenue

Insurance revenue represents the value of income earned from insurance contracts in the year based on the provision of insurance services, namely claims.

6. Staff costs

				2025-26	2024-25
	Permanently employed staff	Other	Ministers	Total	Total
	£000	£000	£000	£000	£000
Wages and staff costs	629,509	35,229	273	665,011	629,418
Social security costs	86,854	–	37	86,891	68,977
Pensions costs	155,995	–	26	156,021	151,311
Sub-total	**872,358**	**35,229**	**336**	**907,923**	**849,706**
Less:					
recoveries in respect of outward secondments	(380)	–	–	(380)	(951)
capitalised staff costs	(39,135)	–	–	(39,135)	(34,211)
Total	**832,843**	**35,229**	**336**	**868,408**	**814,544**
Of which:					
Department	507,411	32,383	336	540,130	473,586
Agencies	29,712	186	–	29,898	51,489
NDPBs	295,720	2,660	–	298,380	289,469
Total	**832,843**	**35,229**	**336**	**868,408**	**814,544**

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 SoCNE.



7. Policy funding

7.1 Summary

	2025-26		2024-25	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Resource spending				
Families Group	9,324	9,330	8,260	8,265
Schools Group	67,970	67,970	63,993	63,994
Skills Group	14,398	15,863	13,389	15,008
Operations and Infrastructure Group	786	786	798	798
Regions Group	61	61	144	144
Strategy Group	59	59	109	109
Grant-in-aid	1,761	–	1,941	–
Sub-total	**94,359**	**94,069**	**88,634**	**88,318**
Capital spending				
Families Group	99	99	58	58
Schools Group	624	624	967	967
Skills Group	836	929	814	978
Operations and Infrastructure Group	5,195	5,196	3,445	3,447
Regions Group	62	62	56	56
Strategy Group	–	–	–	–
Sub-total	**6,816**	**6,910**	**5,340**	**5,506**
Total	**101,175**	**100,979**	**93,974**	**93,824**

In the following tables, all programmes of less than £150 million value across either year presented have been aggregated together as 'Other activities' for each operational unit.

Following the adoption of IFRS 17, policy funding now includes insurance costs stemming from our RPA activities:

- in capital, insurance service costs which represents the expected cost of claims incurred in the year
- in resource, full expected lifetime costs of contracts when they become onerous, or the reversal of previous costs as the contracts unwind

The RPA is managed to benefit education providers, so we consider inclusion of RPA activities here is a better fit than in operational expenditure which are predominately costs incurred in managing our internal processes.

7.2 Resource funding

During the year responsibility for some activities transferred between operational units and are marked with a "*". Some activities increased in size sufficiently to be presented on their own line rather than being aggregated into 'Other activities'; such activities are marked "§".

7.2.1 Values

	2025-26		2024-25	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Families Group				
Early years childcare entitlements	8,799	8,799	6,226	6,226
Early years – pupil premium§	104	104	63	63
Children in care	88	88	373	373
Children's social care	77	77	153	153
Free school meals (direct grants)*	–	–	678	678
Life Skills, Disadvantaged and SEND*	–	–	206	206
Other activities	202	202	465	465
Support costs	54	60	96	101
Schools Group				
National funding formula	49,881	49,881	45,657	45,657
High needs funding	11,531	11,531	10,590	10,590
Pupil premium	3,048	3,048	2,935	2,935
National insurance contributions grant	804	804	–	–
Free school meals (direct grants)*	678	678	–	–
School budget support grant	480	480	–	–
Primary sport premium	297	297	323	323
Teacher supply	291	291	242	242
Life Skills, Disadvantaged and SEND*§	288	288	84	84
School curriculum	176	176	227	227
Core funding	71	71	286	286
Teacher pay grant	–	–	1,984	1,984
Teachers' pension employer contribution grant (schools)	–	–	1,219	1,219
Other activities	161	161	161	161
Support costs	264	264	285	286
Skills Group				
Core funding (16 to 19)	8,127	8,127	7,248	7,248
Apprenticeships	3,052	3,048	2,711	2,720
HE teaching grants	48	1,341	48	1,460
Adult skills fund	1,193	1,193	1,455	1,455
HE student support grants	737	737	722	722
Teachers' pension employer contribution grant (16 to 19)	405	405	301	301
Bursary funding	218	218	222	222
Construction industry training	–	161	–	186
National insurance contributions grant	155	155	–	–
Other activities	313	315	474	478

	2025-26		2024-25	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Support costs	150	163	208	216
Operations and Infrastructure Group				
PFI revenue grant	732	732	752	752
(Gains) or losses on onerous insurance contracts	2	2	–	–
Other activities	16	16	10	10
Support costs	36	36	36	36
Regions Group				
Other activities	55	55	134	134
Support costs	6	6	10	10
Strategy Group				
Other activities	58	58	102	102
Support costs	1	1	7	7
Grant-in-aid	1,761	–	1,941	–
Total	**94,359**	**94,069**	**88,634**	**88,318**



7.2.2 Significant activities

Descriptions of programmes with spending above £1 billion are given below.

National funding formula

All mainstream state-funded schools providing education to 5 to 16-year-olds receive core funding for day-to-day running costs via either DSG or general annual grant (GAG). Grant payments are processed differently in the two sectors:

- local authorities receive a DSG allocation, which they use to fund the maintained schools in their area
- academies receive funding through the GAG directly from the Department

The national funding formula for schools (including high needs)[91] allocates funding based on objective factors of need.

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 for all schools (both maintained schools and academies) are added up to create a total allocation for each local authority. Local authorities then set their own local formulae, based on the same factors (but not necessarily the same factor values) as 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 local authority's formula – as above, either from the local authority (maintained schools) or the Department (academies). This means that while the NFF determines how much money each local authority receives, it is the local authorities' own formulae that determine how much each of their schools finally receives.

The funding model is based on lagged funding, which means allocations are based on pupil numbers from the previous autumn census data. For schools experiencing growth, local authorities can also use part of their DSG funding to fund the additional pupil numbers. This is for both maintained schools and academies.

This year teachers' pay grant and teachers' pension scheme employer contribution grant[92] were incorporated into the NFF for pre-16 providers. Post-16 providers received these as separate grants.

91 https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs-from-2025

92 https://www.gov.uk/government/publications/teachers-pension-scheme-employer-contribution-grant-for-maintained-schools-and-academies-with-16-to-19-provision-2024-to-2025

High needs funding

High needs funding supports provision for children and young people with SEND from early years to 25-year-olds, covering in particular the full costs of educating children who attend specialist provision, and "top-up" funding in respect on children with SEND attending mainstream schools, where the costs of additional support for that child exceed £6,000 a year.

The high needs NFF allocations (separate from the schools NFF above) use pupil number data from the school census, alongside other demographic data. Local authorities have flexibility in how this funding is passed down to settings according to their context.

Core funding (16 to 19)

Core funding[93] includes funding for 16 to 19-year-olds across pre-16 providers (school and academy sixth-forms, special schools, special academies and local authorities) and post-16 providers (sixth-form and further education colleges, ITPs, special post-16 institutions and some higher education providers).

We fund these institutions to provide study programmes for young people.

Early years childcare entitlements[94]

Local authorities are provided with funding streams which form part of their overall DSG, calculated using the early years NFF part of their overall DSG in addition to NFF funds. The early years NFF distributes this funding on the basis of the numbers of early years places taken up, the number of hours taken, and measures of additional need. Local authorities distribute this funding between individual settings (including private and charitable sector providers, and nursery provision in schools) on the basis of local funding formulae.

Pupil premium

Pupil premium[95] is extra funding for state-funded schools to help them improve the attainment of their disadvantaged pupils. This is calculated separately from the schools NFF above but uses school census data. Pupil premium is paid to both schools and nurseries which is why it is shown in two places in the table.

Apprenticeships[96]

Funding that supports the delivery of the apprenticeships programme for young people and adults.

93 https://www.gov.uk/guidance/16-to-19-funding-how-it-works
94 https://www.gov.uk/government/publications/early-years-funding-2025-to-2026/early-years-entitlements-local-authority-funding-operational-guide-2025-to-2026
95 https://www.gov.uk/government/publications/pupil-premium
96 https://www.gov.uk/government/publications/apprenticeship-technical-funding-guide

Schools budget support grants and National Insurance contributions grant (schools and colleges)

The schools budget support grant[97] provides additional funding to schools to help cover overall costs, including teacher pay awards and local government services pay awards for support staff. In addition, the National Insurance contributions grant[98] provides support to schools, academies, early years, and post-16 providers with increased employer national insurance costs.

Adult skills fund (formerly adult education budget)

Adult education funding[99] aims to engage adults and provide the skills and learning they need to progress into, or within, work; or equip them for an apprenticeship or other learning. As well as qualification-based provision, it enables more flexible tailored programmes of learning to be made available, which may or may not require a qualification, to help eligible learners engage in learning, build confidence, and enhance their wellbeing.

In addition to the current year adult skills funding recognised in this ARA, £241 million of funding for two mayoral combined authorities (Greater Manchester and West Midlands) was made through integrated settlements by MHCLG. To support MHCLG's payments, Estimate cover was transferred from the Department to MHCLG, so the £241 million funding is not recognised in either the Department's Estimate (and SOPS) or actuals (or outturn). The activities are recognised in MHCLG's ARA.

HE teaching grants[100]

Our grants do not meet the entire teaching costs of a course. Higher education providers receive most of this cost through tuition fees from students. Instead, our funding supports:

- areas where teaching costs are particularly high (such as medicine)
- particular policy areas such as equality of opportunity

Grant-in-aid

Grant-in-aid is financing given by the Department to its NDPBs to fund their activities. The grant is eliminated on consolidation so is only found in the Department and Agencies column in the table above.

97 https://www.gov.uk/government/publications/schools-budget-support-grant-sbsg
98 https://www.gov.uk/government/publications/national-insurance-contributions-nics-grant-for-2025-to-2026
99 https://www.gov.uk/government/collections/funding-allocations-and-performance-management-for-providers
100 https://www.officeforstudents.org.uk/for-providers/finance-and-funding/recurrent-funding/funding-allocations/

7.3 Capital funding

Note 7.3.1 has been re-ordered from last year to align better to how we manage our activities across the school and college estates. We present our activities focused on condition of the estate and the adequacy of places numbers (sufficiency). This presentational change impacted Schools Group and OIG's operations. the table below illustrates the change in disclosed values.

Originally presented	Group	Revised presentation	Group
	£m		£m
Schools Group		**Schools Group**	
School capital improvement	288	School condition: school capital improvement	2
Free schools	615	School sufficiency: free schools	900
Other spending	64	Other activities	65
Total	**967**	**Total**	**967**

Operations and Infrastructure Group		Operations and Infrastructure Group	
School condition allocations	1,794	School condition:	
School capital improvements	950	school condition allocation	1,379
Other spending	47	school rebuilding programme	871
		condition improvement fund	415
		other	102
		Other activities	24
Total	**2,791**	**Total**	**2,791**



7.3.1 Values

	2025-26		2024-25	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Families Group				
Other activities	99	99	58	58
Schools Group				
School condition: school capital improvement	35	35	2	2
School sufficiency: free schools	587	587	900	900
Other activities	2	2	65	65
Skills Group				
College condition: further education capital transformation fund	385	385	541	541
College sufficiency: post-16 capacity fund	302	302	–	–
Other activities	149	242	273	437
Operations and Infrastructure Group				
School condition:				
school condition allocation	1,595	1,595	1,379	1,379
school rebuilding programme	1,203	1,203	871	871
condition improvement fund	390	390	415	415
RAAC	131	131	156	156
School sufficiency:				
basic need	782	782	195	195
high needs	740	740	305	305
Insurance service result	253	253	–	–
Other activities	101	102	124	126
Regions Group				
Other activities	62	62	56	56
Total	**6,816**	**6,910**	**5,340**	**5,506**

7.3.2 Significant activities

Programmes with spending over £500 million are described below.

We allocate school capital funding[101] annually to help maintain and improve school buildings and grounds. Eligible schools access funding through:

- school condition allocations, paid to eligible bodies responsible for maintaining school buildings
- the Condition Improvement Fund, a bidding round with funds paid directly to single academy trusts, small multi-academy trusts, small voluntary aided bodies and sixth-form colleges

We also allocate devolved formula capital to individual schools and other eligible institutions for capital projects.

101 https://www.gov.uk/guidance/school-capital-funding

School condition

School condition allocation grants are a core part of the Department's annual school capital funding programme. They fund work to maintain and improve the condition of school buildings and grounds. Grants are allocated directly to eligible responsible bodies, who are responsible for managing and prioritising maintenance and condition projects across their school estates.

Alongside allocations, we invest in the school rebuilding programme, a ten-year programme to transform or refurbish over 500 schools in England. It targets buildings in the poorest condition to provide modern, high-quality and energy-efficient facilities.

School sufficiency

We invest in ensuring schools have sufficient school places for pupils across England through basic need and high needs grants. These formula-based allocations go to local authorities to ensure there are enough mainstream, SEND and alternative provision school places for every pupil.

The free schools programme funds responsible bodies to build new free schools to meet rising demand for places in mainstream and high needs provision.

The free schools balance in the table includes capital grants-in-kind recognised when completed free sites are leased to academy trusts. Lease completion triggers de-recognition of the AuC asset from SoFP as capital grant-in-kind. This year the value of de-recognised sites was £234 million (prior year: £265 million) and can be seen in note 11.

Further education

We invest in further education condition mainly through the further education capital transformation fund, and in further education sufficiency (additional capacity) through the post-16 capacity fund.

Insurance service expense

We adopted IFRS 17 from 1 April 2025 for the risk protection arrangement. We recognise as capital policy funding costs the present value of expected claims arising from insured events that occurred in the year. More information is provided in note 22.

8. Operating expenditure

8.1 Purchase of goods and services

	2025-26		2024-25	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
IT and telecommunications costs	111	254	93	224
Advertising and publicity	55	59	51	56
Other professional fees	24	53	26	49
Research and development costs	27	29	28	29
Other expenditure	101	134	74	116
Total	**318**	**529**	**272**	**474**

8.2 Depreciation, amortisation and other non-cash charges

	2025-26		2024-25	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Depreciation	24	33	28	37
Amortisation	55	82	74	95
Impairment:				
student funding grant overpayments	11	11	7	7
education sector assets	42	42	–	–
other loans	8	8	(16)	(16)
other	(37)	(39)	25	28
Provisions:				
provided in year	5,806	5,845	173	203
not required written back	(83)	(84)	(15)	(16)
change in discount rate	(19)	(19)	(3)	(3)
unwinding of discount	21	21	5	6
Other expenditure	(8)	(8)	6	6
Total	**5,820**	**5,892**	**284**	**347**

Under IFRS 17, RPA exposure is no longer accounted for as a provision but as insurance service result which is now presented in capital policy funding to align with other activities scored to capital budgets. On adoption of IFRS 17, the opening RPA provision was released since it was no longer needed.

The large provision written this year relates to the high needs stability grant expected to be made in autumn 2026 to clear local authority accumulated DSG deficits. More information is provided note 23.

Audit fees are included in other expenditure.

8.3 Audit fees

	2025-26		2024-25	
	Department & Agencies	Group	Department & Agencies (Restated)	Group (Restated)
	£000	£000	£000	£000
Group audit				
NAO – non-cash	1,958	1,958	1,296	1,296
NAO – cash	–	1,096	–	1,096
Non-NAO – cash	–	23	–	25
SARA audit				
NAO – cash	–	–	575	575
SARA non-audit				
NAO – cash	570	570	–	–

Non-cash audit fees for the Department and Agencies are included in note 8.2 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.

Cash audit fees for NDPB audit costs (NAO and other auditors) are included within other professional fees in note 8.1. The prior year's non-NAO – cash has been restated as it was previously incorrectly reported as £41,000.

The Department is responsible for preparing SARA. As SARA is an amalgamation of operational academy trusts it does not bear central costs itself. Consequently, NAO's fee for SARA is recognised in this ARA not SARA.

Following changes to how SARA will be compiled and auditing standards, the nature of the engagement carried out by NAO on SARA will change. From the 2024/25 SARA will no longer be a FReM-compliant ARA and will not be audited by NAO. Instead, NAO will complete an agreed upon procedures review whose scope has been set by the Department. Consequently, NAO's fees will be non-audit fees so are disclosed separately above.

9. Other losses or (gains)

9.1 Values

	2025-26		2024-25	
	Department & Agencies	Group	Department & Agencies (Restated)	Group (Restated)
	£m	£m	£m	£m
Valuation movements of assets and liabilities held at FVTPL				
Student loans	7,016	7,016	8,638	8,638
Student funding loan overpayment receivables	631	631	–	–
Loan commitment financial liabilities	473	473	177	177
Investments	(9)	(9)	(18)	(18)
Investment properties	20	20	–	–
On de-recognition				
Cancellation of student loans	248	248	310	310
Cancellation of student funding overpayment receivables	4	4	–	–
Write-off of non-student loans	–	–	4	4
Other losses				
Student loans:				
weekend-only course grant payments (note A1.1)	46	46	–	–
HMRC employer deductions (note A1.3)	9	9	7	7
fraud (note A1.4)	8	8	–	–
Lease modifications	6	6	4	4
Total	**8,452**	**8,452**	**9,122**	**9,122**

Prior year values have been restated through recognition of loan commitment financial liabilities (notes 2 and 24).

Student loans and investments, including the retention note (see note 1.16.1 for more information), presented above are required to be classified as FVTPL by IFRS 9, neither were unilaterally designated at initial recognition. Loan commitment financial liabilities are designated to FVTPL at inception. FReM's interpretation of IAS 40 Investment Properties requires investment properties to be recognised at fair value, the cost model has been withdrawn.

9.2 Fair value analysis

Annual valuation movements presented in this note relate to gains and losses recognised when remeasuring the fair value of financial assets classified as FVTPL, which are analysed between realised and unrealised elements.

Overall student loan fair value losses are the total of day 1 losses, releases of deferred day 1 gains and the annual year end fair value revaluation (losses and gains). Additional analysis of the student loan fair value loss is given in note 15 and Annex C (unaudited). Student funding overpayment receivable fair value losses are restricted to annual revaluation losses.

2026

	Unrealised losses	Realised interest gains	Fair value losses or (gains)
	£m	£m	£m
Student loans			
Plan 1	476	(978)	(502)
Plan 2	12,168	(11,322)	846
Plan 3	440	(479)	(39)
Plan 5	7,509	(798)	6,711
Total	**20,593**	**(13,577)**	**7,016**
Others			
Student funding loan overpayment receivables	680	(49)	631
Loan commitment financial liabilities	473	–	473

2025

	Unrealised losses	Realised interest gains	Fair value losses
	(Restated)		(Restated)
	£m	£m	£m
Student loans			
Plan 1	1,383	(1,356)	27
Plan 2	18,277	(12,771)	5,506
Plan 3	894	(479)	415
Plan 5	3,149	(459)	2,690
Total	**23,703**	**(15,065)**	**8,638**
Others			
Loan commitment financial liabilities	177	–	177

10. Operational assets

The Group has organised its owned PPE and leased RoU asset disclosures based on the Group's usage rather than by financial reporting standard. The split between operational and education sector assets reflects the differing usage and risk exposures presented by the different activities.

This note presents information concerning assets we use to support our operational activities, primarily office blocks. Note 11 presents information about our activities supporting educational provider operations. Both notes contain owned (IAS 16) and leased (IFRS 16) assets.

The operational property asset class includes freehold and leasehold sites, as well as leasehold improvements on leased sites. 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, all but three of which are 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 2025 by Montagu Evans LLP.

10.1 2026

Valuation movements

	Operational property	AuC	Other assets	Total
	£m	£m	£m	£m
Cost or valuation				
At 1 April 2025	313	28	97	438
Additions	21	5	12	38
Disposals	(32)	–	(4)	(36)
Reclassifications	25	(27)	(1)	(3)
At 31 March 2026	**327**	**6**	**104**	**437**
Depreciation				
At 1 April 2025	(64)	–	(70)	(134)
Charged in year	(23)	–	(10)	(33)
Eliminated on disposal	19	–	4	23
At 31 March 2026	**(68)**	**–**	**(76)**	**(144)**
Carrying value at 31 March 2026	**259**	**6**	**28**	**293**

Carrying values by holding route and reporting body

	Operational property	AuC	Other assets	Total
	£m	£m	£m	£m
Analysis of carrying value by control route				
Owned	86	6	28	120
Leased	173	–	–	173
Total	**259**	**6**	**28**	**293**
Analysis of carrying value by Group body				
Department	202	6	12	220
Agencies	–	–	–	–
NDPBs	57	–	16	73
Total	**259**	**6**	**28**	**293**

Leasing activities

	Operational property	AuC	Other assets	Total
	Number	Number	Number	Number
Leases for which IFRS 16 was adopted in full				
Opening volume at 1 April 2025	25	–	119	144
New leases entered into	2	–	70	72
Existing leases expired	(5)	–	(31)	(36)
Existing leases surrendered	–	–	(5)	(5)
Closing volume at 31 March 2026	**22**	**–**	**153**	**175**
Leases to which either the short-term or low value exemption was applied				
Opening volume at 1 April 2025	–	–	2	2
New leases entered into	–	–	1	1
Existing leases expired	–	–	–	–
Closing volume at 31 March 2026	**–**	**–**	**3**	**3**
Total volume of leases at 31 March 2026	**22**	**–**	**156**	**178**
Analysis of volumes by Group body				
Department	11	–	–	11
Agencies	–	–	–	–
NDPBs	11	–	156	167
Total	**22**	**–**	**156**	**178**

The majority of the other assets leases are for motor vehicles.

10.2 2025

Valuation movements

	Operational property	AuC	Other assets	Total
	£m	£m	£m	£m
Cost or valuation				
At 1 April 2024	270	72	85	427
Additions	17	23	12	52
Disposals	(23)	–	(5)	(28)
Revaluations	2	–	1	3
Reclassifications	63	(67)	4	–
Lease modifications	(16)	–	–	(16)
At 31 March 2025	**313**	**28**	**97**	**438**
Depreciation				
At 1 April 2024	(46)	–	(64)	(110)
Charged in year	(27)	–	(10)	(37)
Eliminated on disposal	11	–	5	16
Revaluations	(5)	–	(1)	(6)
Lease modifications	3	–	–	3
At 31 March 2025	**(64)**	**–**	**(70)**	**(134)**
Carrying value at 31 March 2025	**249**	**28**	**27**	**304**

Carrying values by holding route and reporting body

	Operational property	AuC	Other assets	Total
	£m	£m	£m	£m
Analysis of carrying value by control route				
Owned	71	28	27	126
Leased	178	–	–	178
Total	**249**	**28**	**27**	**304**
Analysis of carrying value by Group body				
Department	192	28	13	233
Agencies	–	–	–	–
NDPBs	57	–	14	71
Total	**249**	**28**	**27**	**304**

Leasing activities

	Operational property	AuC	Other assets	Total
	Number	Number	Number	Number
Leases for which IFRS 16 was adopted in full				
Opening volume at 1 April 2024	29	–	76	105
New leases entered into	6	–	59	65
Existing leases expired	(10)	–	(16)	(26)
Closing volume at 31 March 2025	**25**	**–**	**119**	**144**
Leases to which either the short-term or low value exemption was applied				
Opening volume at 1 April 2024	1	–	7	8
New leases entered into	–	–	1	1
Existing leases expired	(1)	–	(6)	(7)
Closing volume at 31 March 2025	**–**	**–**	**2**	**2**
Total volume of leases at 31 March 2025	**25**	**–**	**121**	**146**
Analysis of volumes by Group body				
Department	14	–	–	14
Agencies	–	–	–	–
NDPBs	11	–	121	132
Total	**25**	**–**	**121**	**146**

The majority of the other assets leases are for motor vehicles.

11. Education sector assets

11.1 Background

The Department supports the academy and further education sectors by 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 (over 99 years) and very long (over 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 non-provider sitting tenants on mixed-use sites.

The majority of outbound leases have been assessed as being finance leases since the long-term (over 90 years at inception), peppercorn nature of the lease transfers significantly all the risks and rewards of ownership of the leased assets to the lessees. This approach mirrors the lease recognition approach the Department has adopted for preparing SARA with 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 (over 200 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.

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 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.

Investment properties

Investment properties can include both education providers and third-party accommodation.

In 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. Where the outbound lease is judged to be a finance lease the parent asset is de-recognised. Investment property assets are not depreciated but are fair valued each year. External valuations are sourced every five years on a rolling programme per asset across the portfolio, with internally generated fair values used in the intervening years. At the year end there was a mix of externally and internal valuations.

11.2 2026

Values

	Freehold		Leasehold		
	AuC	Investment property	AuC	Investment property	Total
	£m	£m	£m	£m	£m
Cost or valuation					
At 1 April 2025	346	71	219	103	739
Additions	32	–	–	–	32
In-year development	111	–	56	1	168
Disposals	–	–	–	(1)	(1)
De-recognition through leases to providers or third parties	(104)	(13)	(117)	–	(234)
Impairment	(6)	–	(15)	–	(21)
Reclassifications across asset classes	4	(4)	–	–	–
Fair value movement	–	–	–	(20)	(20)
Lease modifications	–	–	–	(2)	(2)
At 31 March 2026	**383**	**54**	**143**	**81**	**661**
Carrying value at 31 March 2026	**383**	**54**	**143**	**81**	**661**

No depreciation is charged on AuC and investment properties. All education sector assets are held by the Department.

Volumes

	Freehold		Leasehold		
	AuC	Investment property	AuC	Investment property	Total
	Number	Number	Number	Number	Number
Assets recognised at 1 April 2025	24	23	16	33	96
New assets recognised in year	8	4	2	3	17
Reclassification across asset classes	1	(1)	–	–	–
Reclassified to AHfS	(4)	–	–	–	(4)
Assets de-recognised in year	(4)	(5)	(3)	–	(12)
Assets disposed of	–	(1)	–	(5)	(6)
Assets recognised at 31 March 2026	**25**	**20**	**15**	**31**	**91**
Add back:					
assets de-recognised in year	4	5	3	–	12
assets de-recognised in prior years	153	2	43	1	199
Total assets held at 31 March 2026	**182**	**27**	**61**	**32**	**302**
Assets disposed of whilst de-recognised	**2**	**–**	**2**	**–**	**4**

11.3 2025

Values

	Freehold		Leasehold		
	AuC	Investment property	AuC	Investment property	Total
	£m	£m	£m	£m	£m
Cost or valuation					
At 1 April 2024	367	101	252	100	820
Additions	16	–	11	32	59
In-year development	156	–	67	–	223
Disposals	–	(5)	(22)	(31)	(58)
De-recognition through leases to providers or third parties	(177)	–	(88)	–	(265)
Reclassifications across asset classes	(16)	5	1	10	–
Reclassifications to AHfS	–	(30)	–	–	(30)
Lease modifications	–	–	(2)	(8)	(10)
At 31 March 2025	**346**	**71**	**219**	**103**	**739**
Carrying value at 31 March 2025	**346**	**71**	**219**	**103**	**739**

No depreciation is charged on AuC and investment properties. All education sector assets are held by the Department.

Volumes

	Freehold		Leasehold		
	AuC	Investment property	AuC	Investment property	Total
	Number	Number	Number	Number	Number
Assets recognised at 1 April 2024	37	23	23	30	113
New assets recognised in year	20	3	6	3	32
Assets re-recognised in year	2	1	–	–	3
Reclassification across asset classes	(2)	2	(3)	3	–
Reclassified to AHfS	(2)	(2)	–	–	(4)
Assets de-recognised in year	(28)	–	(7)	(1)	(36)
Assets disposed of	(3)	(4)	(3)	(2)	(12)
Assets recognised at 31 March 2025	**24**	**23**	**16**	**33**	**96**
Add back:					
assets de-recognised in year	28	–	7	1	36
assets de-recognised in prior years	127	2	38	–	167
Total assets held at 31 March 2025	**179**	**25**	**61**	**34**	**299**
Assets disposed of whilst de-recognised	**6**	**1**	**4**	**–**	**11**

11.4 Leasing activities

Volume of leases

	2026		2025	
	Lessee (inbound)	Lessor (outbound)	Lessee (inbound)	Lessor (outbound)
	Number	Number	Number	Number
Leases active at 1 April	87	299	87	262
New leases entered into in year	3	16	6	49
Expired in year	(1)	(13)	–	(6)
Surrendered in year	(3)	(8)	(6)	(6)
Leases active at 31 March	**86**	**294**	**87**	**299**

The table presents the volume of the Department's leasing activities across both years to support educational sector provision.

Analysis of lessor positions

2026

	Finance leases		Operating leases		
	Provider sites	Third-party sites	Provider sites	Third-party sites	Total
	Number	Number	Number	Number	Number
Active at 1 April 2025	174	59	29	37	299
New leases in year	6	3	5	2	16
Expired in year	(3)	–	(6)	(4)	(13)
Surrendered in year	–	(2)	(3)	(3)	(8)
Active at 31 March 2026	**177**	**60**	**25**	**32**	**294**
Analysed by tenure					
Freehold parent asset	134	50	6	17	207
Leasehold parent asset	37	10	19	15	81
Mixed tenure parent asset	6	–	–	–	6
Total	**177**	**60**	**25**	**32**	**294**

2025

	Finance leases		Operating leases		
	Provider sites	Third-party sites	Provider sites	Third-party sites	Total
	Number	Number	Number	Number	Number
Active at 1 April 2024	154	51	25	32	262
Reclassified in year	(1)	1	–	–	–
New leases in year	28	8	6	7	49
Expired in year	(3)	–	(2)	(1)	(6)
Surrendered in year	(4)	(1)	–	(1)	(6)
Active at 31 March 2025	**174**	**59**	**29**	**37**	**299**
Analysed by tenure					
Freehold parent asset	131	48	9	21	209
Leasehold parent asset	37	11	20	16	84
Mixed tenure parent asset	6	–	–	–	6
Total	**174**	**59**	**29**	**37**	**299**

12. Financial instruments

12.1 Financial assets

		2026		2025	
	Note	Department & Agencies	Group	Department & Agencies	Group
		£m	£m	£m	£m
Fair value through profit or loss					
Student loans	15	165,791	165,791	157,866	157,866
Student funding loan overpayment receivables	17	417	417	–	–
Investments		81	81	76	76
Amortised cost					
Other loans	16	401	828	375	825
Insurance contract asset	22	5	5	–	–
Receivables	17	581	622	672	698
Cash at bank	18	768	869	502	636
Total		**168,044**	**168,613**	**159,491**	**160,101**

12.2 Financial liabilities

		2026		2025	
	Note	Department & Agencies	Group	Department & Agencies (Restated)	Group (Restated)
		£m	£m	£m	£m
Fair value through profit or loss					
Loan commitment financial liabilities	24	3,143	3,143	2,670	2,670
Amortised cost					
Payables (excluding loans and leases)	19 and 20	1,362	1,452	1,627	1,702
PF2 imputed lease liabilities	19 and 20	533	533	551	551
PF2 loan liabilities	19 and 20	–	431	–	455
Lease liabilities	21	150	181	166	197
Insurance contract liabilities	22	312	312	–	–
Financial guarantees		5	5	12	12
Total		**5,505**	**6,030**	**5,026**	**5,587**

Loan commitment financial liabilities were designated to FVTPL at initial recognition. Prior year values have been restated through the recognition of loan commitment financial liabilities.

12.3 Fair value

	2026		2025	
	Department & Agencies	Group	Department & Agencies (Restated)	Group (Restated)
	£m	£m	£m	£m
Level 1 (quoted market price)				
None	–	–	–	–
Level 2 (other observable inputs)				
None	–	–	–	–
Level 3 (non-observable inputs)				
Student loans	165,791	165,791	157,866	157,866
Student funding loan overpayment receivables	417	417	–	–
Investments (retention note)	81	81	76	76
Loan commitment financial liabilities	(3,143)	(3,143)	(2,670)	(2,670)
Total	**163,146**	**163,146**	**155,272**	**155,272**

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.

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, loan overpayment receivables and loan commitment financial liabilities. 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.



13. Financial risk

13.1 Financial risk management

As the cash requirements of the Group are met through the Estimate 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. 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.

The risks associated with the Department's PFI transaction, PF2, are described in note 14.

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 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 15.5.

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.

Liquidity risk

The Group's net revenue resource and capital requirements are financed by resources voted annually by Parliament. See note 20.2 for a maturity analysis.

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 not exposed to significant residual liquidity risk.

Interest rate risk

The Group's financial instruments carry nil, variable or fixed rates of interest.

The interest rate applicable for student loans depends on macroeconomic conditions and will vary across a loan's lifespan. Plan 3 and Plan 5 interest rates applied for any academic year are generally based on the RPI of the previous March. The Plan 1 interest rate is capped at the lower of RPI and the Bank of England base rate plus 1%. The Plan 2 interest rate varies from RPI to RPI plus 3%, depending on income.

The amount of Plan 1 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. Similarly, the amount of Plan 2 interest repayable is sensitive to earnings forecasts and the inherent risk is baked into the carrying value modelling. Additional information about student loans is provided in note 15 and Annex C (unaudited).

Consequently, the Department does not consider the Group is exposed to significant residual interest rate risk.

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 impacts 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. Quantified sensitivity analysis disclosures are given in note 15.5.

14. PF2 transaction

14.1 Transaction summary

The Group has entered into agreements for five regional batches of schools with different consortia to build school buildings and maintain them for 25 years. These schemes are PFI arrangements, with the initial construction financing for each of the batches raised by Aggregator. To complete the transaction, the Group both took out and issued loans to allow funds to flow to the consortia building the schools from the external funders. The Department will then repay the financing through unitary charge payments to the consortia over the operational life of the transactions.

In summary, the PF2 transactions are:

- external investor funding was raised by Aggregator (loan liabilities of the Group)
- onward loans are made by Aggregator to each of the five regional consortia (loan assets of the Group)
- the consortia undertook their school building construction projects, with assets controlled by the future school's responsible bodies
- adopting the Group's asset recognition accounting policy, the school assets were not recognised by the Group, they are recognised by the responsible body that operates each site as a school
- an imputed lease liability was recognised in respect of future unitary charges payable to the consortia to cover the construction value of the schools
- the unitary charges paid by the Department, for the use of the schools, are used by the consortia to repay their loans from Aggregator, which in turn uses the funds to settle its loan liabilities with the external investors

14.2 Finance risks

The PF2 transaction is structured so that unitary charge fees input into the 'bottom' of the structure flow up through Aggregator's onward loans to repay the loans from the external investors. The terms of the two sets of loans have been designed to work with the expected lifetime unitary charges so that they provide sufficient funds to repay both sets of loans, leaving minimal funds left in Aggregator at the end of the transaction's 25-year lifespan.

Credit risk

All funds available to repay both sets of loans are originally sourced from the Department's unitary charge payments. In addition, Aggregator benefits from a security package including charges over project cashflows. Consequently, we do not believe we are exposed to significant residual credit risk.

Liquidity risk

Both sets of loans reported by the Group are designed to mirror each other with the Group's loan asset designed to recover sufficient funds to service the loan liabilities. As such we do not consider the Group is exposed to significant residual liquidity risk.

Interest rate risk

The Group's PF2 loan liabilities have fixed interest rates set as part of the wider PF2 launch negotiations. Rates were set to be supported from the unitary charges through the loan asset interest rates to pass adequate funds up to Aggregator to repay the loan liabilities. Consequently, we do not consider we are exposed to significant interest rate risk.

Market risk

None of the PF2 financial instruments are listed. If consortia PFI contractors, or one of its sub-contractors, were to fail there are mechanisms available to the Aggregator to replace the failed entity to maintain that consortia's activities. Consequently, we do not consider we have significant residual market risk.

15. 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 ALLs
- Plan 3 loans – loans for postgraduate master's courses starting on or after 1 August 2016 and postgraduate doctoral studies 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 ALLs

Plans 2 and 5 each have three separate cohorts (full-time, part-time and ALLs) and Plan 3 can be split into master's and doctoral cohorts. 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.[102] Annex C (unaudited) presents background information about student loans and extends the following disclosures across the sub-portfolios.

Disclosures for student loans are presented across the following notes to help readers distinguish between the values of the loan book, the movements recognised in the accounts, the governance and modelling arrangements supporting the valuation, and the sensitivity of the valuation estimates to key assumptions:

- values, note 15.1 page 267
- fair value loss analysis, note 15.2 page 268
- governance, note 15.3 page 270
- valuation modelling, note 15.4 page 273
- sensitivity analysis, note 15.5 page 284
- budgetary performance (outturn), note 15.6 page 287

102 https://www.gov.uk/government/publications/student-loans-a-guide-to-terms-and-conditions

15.1 Values

	2026		2025	
	Carrying value	Face value	Carrying value	Face value
	£m	£m	£m	£m
Balance at 1 April	157,866	264,635	150,982	234,048
New loans issued (re-presented)	14,201	21,187	14,540	20,662
Interest charged	–	13,577	–	15,065
Repayments	(5,164)	(5,164)	(4,830)	(4,830)
Cancellations:				
in-year	(248)	(248)	(310)	(310)
classification correction	(834)	(834)	–	–
Annual fair value loss (re-presented)	(30)	–	(2,516)	–
Balance at 31 March	**165,791**	**293,153**	**157,866**	**264,635**
Analysed across plans				
Plan 1	10,749	27,498	11,557	27,830
Plan 2	128,364	227,456	128,886	215,810
Plan 3	6,437	7,342	6,147	6,612
Plan 5	20,241	30,857	11,276	14,383
Total	**165,791**	**293,153**	**157,866**	**264,635**
Disclosed as				
Current assets	6,046		5,486	
Non-current assets	159,745		152,380	

Annex C presents an unaudited analysis of carrying and face values by plan type.

As per IFRS 7, interest charged on FVTPL student loans is included in the annual fair value movement analysed in note 15.2.

New loans are initially recognised at their fair value. New loans for Plans 2, 3 (doctoral) and 5 have initial fair values less than their face value because of the implied subsidy to the higher education sector. The face value of new loans issued is their cash transactional value of funds advanced. Initial fair values modelled for new Plan 3 master's loans exceeded transaction value. Under IFRS 9 day 1 gains are deferred off-ledger until pricing events are visible. Deferred gains are released as part of the annual fair value movement and incorporated into the cohort's carrying value. The table below presents a reconciliation of the remaining value of the deferred gain.

Note 15.1 includes the £834 million adjustment made this year to cancel student loans voided through changes in borrower circumstances. Under the adjustment student loans are cancelled and de-recognised (note 9) and student funding overpayment receivables (note 17) are recognised for amounts recoverable. The adjustment covers historic changes previously missed. In future, cancellations due to changes in circumstances will be just for in-year cancellations.

There has been a change in approach this year to how the carrying value of new loans is disclosed, which has resulted in a re-presentation of the prior year's new loans issued and fair value balances. There has been no change in how the value of new loans has been calculated. IFRS 9 requires new student loans to be recognised at fair value not transaction

(cash) value. Therefore, the value of new loans issued now includes day 1 losses which previously were included in the fair value loss balance. The change involved reclassifying the prior year's total day 1 losses of £6.1 billion (note 15.2) against the cash value of new loans (£20.7 billion) to calculate the fair value of new loans at issue of £14.5 billion shown above. The inclusion of day 1 losses causes the carrying value and face value of new loans shown in the table to differ.

15.2 Fair value loss analysis

	2026		2025	
	Year end values	Movement improvement / (worsening)	Year end values	Movement improvement / (worsening)
	£m	£m	£m	£m
Fair value loss on loan issue	6,986	(864)	6,122	(356)
Annual revaluation fair value loss	30	2,486	2,516	(5,813)
Overall fair value loss	**7,016**	**1,622**	**8,638**	**(6,169)**
The annual revaluation fair value loss can be disaggregated into the following elements:				
cancelled – in-year	(248)	(62)	(310)	189
impact of changes in assumptions and modelling	(10)	396	386	514
operational costs	(17)	76	59	65
discount rate change	(444)	164	(280)	2,354
unwinding of the discount	7,938	3,148	11,086	(1,363)
capitalised interest	(13,577)	(1,488)	(15,065)	(73)
release of deferred fair value gains	(30)	7	(23)	10
residual fair value movement	6,418	245	6,663	(7,509)

Annex C presents an unaudited analysis of the annual fair value movements by plan type.

In note 15.1 the fair value loss on loan issue is included within the value of new loans issued which accounts for the difference in carrying and face value of new loans reported.

Fair values gain or loss on issue

As described in note 1.3.3 we judge that FReM adaption number 5 to IFRS 9 applies to student loans. Where the initial fair value differs from the transaction price, the Department recognises the difference. Initial fair value losses are recognised in the SoCNE together with the annual fair value movement in note 9. For postgraduate master's loans, where the initial fair value exceeds the transaction price, the resulting gain is deferred. Gains are released to SoCNE and SoFP as loans are settled, or pricing information becomes observable.

For loans subject to day 1 losses, the movement of initial fair value losses (£864 million worsening from last year, prior year: £356 million worsening) is driven by changes in the HMT stipulated rates (which can be seen in the table below). Both PES margins (less negative) and year end RPI have risen across the year, which has combined to increase the effective year end PES rates by 1.2% across both cash flows series. Increasing the discount rate applied to

future repayments means valuing them less, and hence an increase in the difference between student loans and the fair value of those loans at issue.

Cancellations

The movement relates to the value of student loans which have been cancelled in a year under applicable student funding rules. A breakdown by plan type can be seen in Annex C (unaudited) and by reason in note A3.

Impact of changes in assumptions and modelling

The assumption and modelling gain of £10 million (prior year: £386 million loss) can be broken down into two sub-sets:

- differences due to changes in cashflow assumptions (£213 million gain, prior year: £168 million gain): these relate to small differences in assumptions about when cashflows occur between models within the student finance modelling pipelines
- other differences (£203 million loss, prior year: £554 million loss): these relate to factors other than cashflow timing differences within the different models

Operational costs

The favourable movement of £76 million (prior year: £65 million improvement) from last year is driven by the increase in the 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. Operational costs decreased by 1% compared to last year, contributing to the gain.

Discount rate change

The table below shows the discount rates applied over the last three reporting years.

	2026	2025	2024
HMT sourced PES rates			
Cash flows out to January 2030	RPI-0.55%	RPI-0.85%	RPI-1.05%
Cash flows from February 2030	RPI+0.35%	RPI+0.05%	RPI-0.05%
Year end PES rates applied			
Year end RPI	4.1%	3.2%	4.3%
Cash flows out to January 2030	3.55%	2.35%	3.25%
Cash flows from February 2030	4.45%	3.25%	4.25%

The closing carrying value reflects a fair value gain of £444 million arising from changes to discount rates. This is an improvement of £164 million from the prior year's £280 million gain, reflecting the bigger increase in the PES rate applicable to cash flows to 2030.

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 loss of £7.9 billion is £3.2 billion lower than that reported last year (prior year: £11.1 billion loss). The improvement (less loss compared to the prior year) is due to the increase in the discount rate at 31 March 2026 compared to the prior year. Increased discount rates mean more gain from unwinding the discount.

Capitalised interest

The capitalised interest gain fell by £1.5 billion to £13.6 billion against last year's value of £15.1 billion. The fall can be explained by reductions in student loan interest rates due to lower applicable RPI outturns. Interest rates are generally set for the upcoming academic year with reference to outturn from the previous March.

Release of deferred gains

For postgraduate Plan 3 master's loans, the initial fair value exceeds the transaction price. In accordance with IFRS 9 and the Department's accounting policy, this day 1 gain is deferred and released over the expected life of the loans as valuation inputs are realised through repayments and other cashflows. At 31 March 2026 the total as yet unrecognised deferred gain was £818 million (prior year: £793 million).

A reconciliation of unreleased deferred gains is provided below:

	2026	2025
	£m	£m
Balance at 1 April	793	673
New in-year gains from new loans issued	64	144
Release of gain	(30)	(23)
Extinguished on loan cancellation	(9)	(1)
Balance at 31 March	**818**	**793**

Deferred gains extinguished through loan cancellation do not pass through either SoCNE or SoFP so do not form part of the overall fair value movement. Currently deferred day 1 gains are only found in Plan 3 master's loans.

Residual fair value loss

The residual fair value loss remained stable across the year, improving by £245 million to a £6.4 billion loss. The prior year movement (a £7.5 billion worsening) was the main driver of the prior year's larger annual fair value loss of £2.5 billion compared to this year's £30 million annual fair value loss.

15.3 Governance

The Department manages valuation risk by assigning clear ownership for data, model production, audit pack preparation and senior review. It also checks and reconciles key data inputs, controls model changes, documents accounting judgements and tests the assumptions that have the greatest effect on fair value.

Student loan forecasts are produced through linked models that estimate student entrants, loan outlay, borrower earnings, and repayments. The models are updated each year using the latest available data, student number evidence and economic assumptions, including OBR forecasts. This note explains how those forecasts are governed, quality assured and used to support the fair value of student loans in the accounts.

15.3.1 Data sources, inputs and key assumptions

Valuing the student loan book uses a wide range of data inputs, both internal and external, with the key ones as follows:

- internal Group-held data:
  - student data (past borrower and entrant patterns are useful indicators of future entrants)
  - longitudinal education outcomes (LEO)[103] (provides labour market outcomes data for learners from schools, colleges and universities over an extended period)
- external data:
  - ONS data (as the UK's independent producer of official statistics, past data to inform modelling – including of earnings, inflation and mortality, is sourced from ONS publications)
  - UCAS data for application trends
  - OBR data[104] (provides economic forecasts)
  - HMRC earnings data for longer-term earnings patterns

15.3.2 Data validation

Data quality checks are carried out throughout the modelling process. Analysts compile and validate datasets before they are used in the models. Key training datasets must be complete and must not contain missing values. The Department also reconciles and reviews data to check that reporting figures are reasonable.

Before data enters the modelling pipeline, the Department completes cleansing and validation of internally held data. Where external data is used, the Department relies on agreed data-sharing arrangements. Before using external data, we apply our own checks to confirm that the data is complete, reasonable and suitable for forecasting.

15.3.3 Model changes

The modelling pipeline is reviewed and improved on an ongoing basis. Proposed updates are considered and prioritised through quarterly Models and Funding Boards. Methods are reviewed and considered for refinement when new data is available or when improvements are identified. The models are rolled forward each year to reflect the latest financial year actuals and emerging evidence.

103 https://www.gov.uk/government/collections/longitudinal-education-outcomes-leo-collection
104 https://obr.uk/efo/economic-and-fiscal-outlook-march-2026/

15.3.4 Model performance

Model performance is monitored through comparisons between prior forecasts and actual outturn data. This includes:

- comparing forecast entrant numbers against subsequently published student enrolment data
- comparing forecast loan outlay against published expenditure data
- comparing projected earnings against later observed earnings data
- comparing forecast repayments against realised repayment receipts

Results of these validations are documented within published model methodologies and are used to assess the accuracy and reliability of forecasts.

15.3.5 Model quality assurance

Quality assurance is conducted throughout the modelling process, following established Departmental guidelines. All changes are assured in line with the Department's standards and controlled through the Models Board, before being implemented.

Data updates are sense-checked against previous modelling and standardised outputs reduce the risk of output errors.

15.3.6 Models and Funding Boards

Forecasts and model developments are reviewed through Models and Funding Boards. These boards review model performance, challenge proposed changes and approve updates before forecasts are used for financial planning, policy development or financial reporting purposes. The Models Board is chaired by the senior responsible officer for student funding forecasting and the Funding Board is chaired by senior responsible officer for higher education funding. Both include experts and stakeholders from across the Department to provide suitable challenge and insight.

Model outputs inform departmental decision-making. All modelling outputs are subject to analyst review, sense-checking and quality assurance before being shared with finance, policy teams or external stakeholders such as the OBR. Financial outputs built upon modelling inputs are then subject to further quality assurance including reconciliations, reasonableness checks and senior official sign-off.

15.3.7 Control and risk management

The Department maintains a formal risk management framework for the modelling pipeline. Key controls include:

- review and challenge through Models and Funding Boards
- documented methodologies, user guides and training arrangements
- segregated access controls restricting sensitive datasets to authorised analysts
- data-sharing agreements and memoranda of understanding governing the use of data

15.3.8 Loan book valuation

The carrying value is supported by an audit pack that brings together the key inputs used in preparing ARA values and disclosures. These include the modelled fair value of the loans, data on movements in borrowers' loan balances in year, the in-year cost of collecting repayments and the discount rate applied to expected future operating costs. Management reviews the audit pack before the valuation is recognised in the accounts.

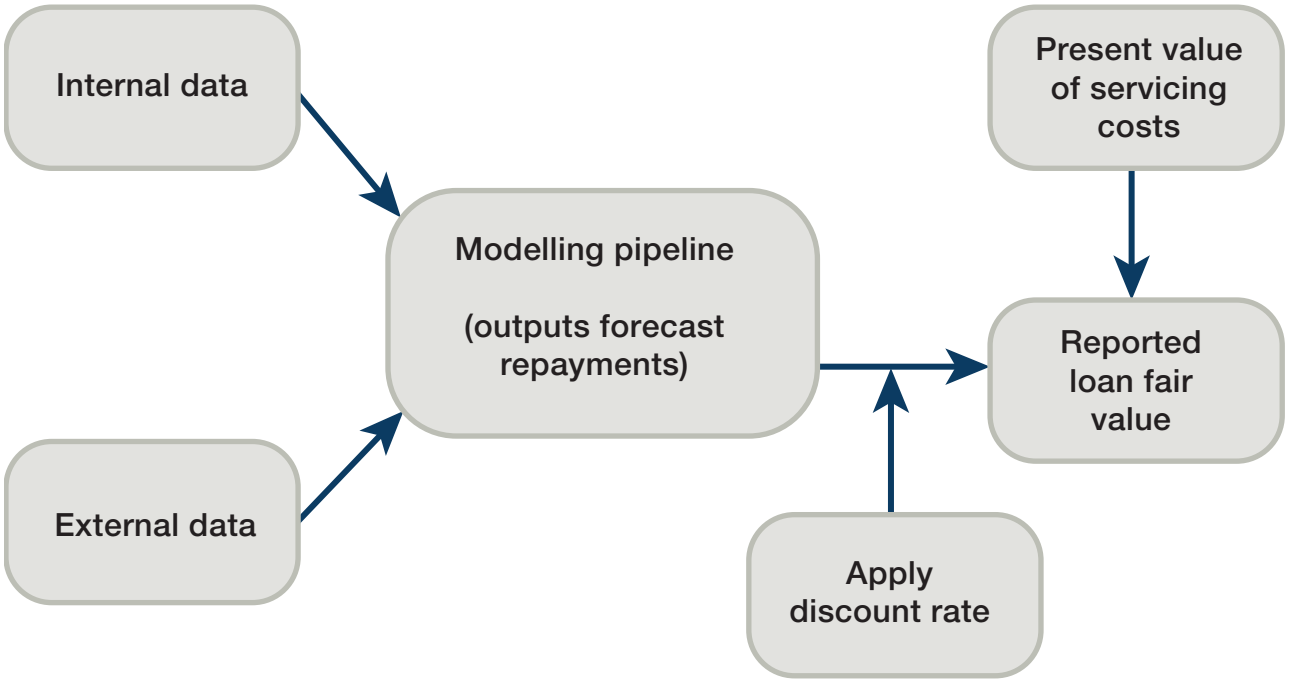
15.4 Valuation modelling

15.4.1 Our modelling approach

The Department calculates the fair value of student loans using a discounted income approach, including the present value of costs of servicing the loans. Student loans have income contingent repayments and do not have fixed repayment schedules. Therefore, the Department forecasts expected repayments through valuation model pipelines and discounts forecast repayment cash flows back to present value. The model pipelines cover the main stages of the loan lifecycle: entrants, outlay, borrower earnings and repayments.

Operational cost cash flows are forecast separately, outside of the pipelines, and similarly discounted. The net present value (inflows less outflows) is the estimated fair value.

Figure 23: Overall valuation approach



The pipelines

Separate modelling pipelines[105] are maintained for undergraduate loans, postgraduate loans and ALLs. Each pipeline reflects the relevant loan terms, borrower characteristics and available historic data for that portfolio. The ALL pipeline is essentially a single model which

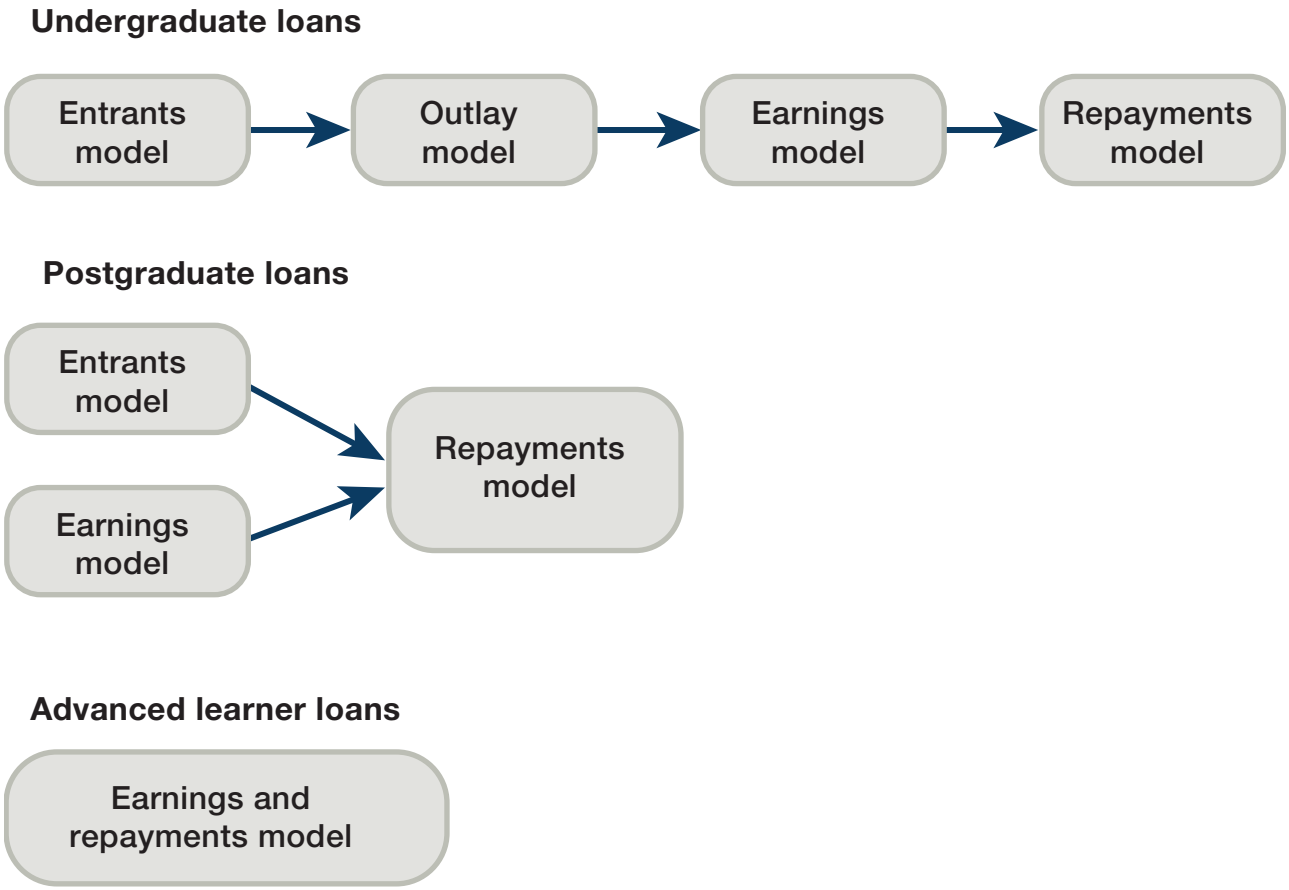
105 https://www.gov.uk/algorithmic-transparency-records/dfe-student-loans-forecast-modelling-pipeline

incorporates the outlay model. The ALL and postgraduate portfolios are much smaller in both volume and value than the undergraduate class.

The year end carrying and face values split by type as follows:

	Carrying value		Face value	
Course type	Value	Proportion	Value	Proportion
	£m	%	£m	%
Undergraduate (Plan 1, 2 and 5)	158,346	95.5%	284,002	96.9%
Postgraduate (Plan 3)	6,437	3.9%	7,342	2.5%
ALL (Plan 2 and 5)	1,008	0.6%	1,809	0.6%
Total	**165,791**	**100%**	**293,153**	**100%**

Figure 24: Model pipelines



The Department's published methodology[106] explains how student loan forecasts for England are prepared. It covers forecasts for entrant borrowers, loan outlay, repayments, borrower balances, initial fair value losses on issuance (called 'RAB charges' in the link) and the fair value of the loans already issued. Linked models are used because student loan outcomes depend on borrower characteristics, earnings, repayment rules, economic assumptions and loan terms over long periods.

106 https://explore-education-statistics.service.gov.uk/methodology/student-loan-forecasts-for-england

Most of the pipelines use micro-simulation modelling. This means the Department models expected interest and repayments for individual borrowers before combining the results at portfolio level. This approach is needed because student loan outcomes depend heavily on individual earnings and repayment behaviour over time.

Undergraduate loan portfolios

Undergraduate loan portfolios are modelled through a linked pipeline covering entrants, outlay, earnings and repayments. The pipeline uses borrower-level data and macroeconomic assumptions to estimate the timing and amount of future repayments over the life of the loans. This approach reflects the income-contingent nature of repayments, where repayment outcomes depend on future earnings, employment, inflation, interest rates, repayment thresholds and cancellation rules.

The models have sufficient data granularity to support valuations by plan type and cohort. For example, the undergraduate pipeline covers Plans 1, 2 and 5 higher education borrowers together but supports separate valuations for each plan type and cohort.

Master's and doctoral loan (postgraduate) portfolios

Master's and doctoral loan portfolios are modelled separately from undergraduate loans because their borrower populations, repayment terms and available historic data differ. The postgraduate pipeline uses available Group data to initially generate an earnings forecast using the same approach as the undergraduate earnings forecast. The pipeline then applies a postgraduate earnings uplift where there is not yet enough repayment and earnings history to support a fully separate earnings model. This creates additional estimation uncertainty, which will reduce as more repayment data becomes available over time.

Advanced learner loan portfolios

ALLs are for levels 3 to 6 further education qualifications. Given the differences in borrower population and terms and conditions of the loans, ALLs are modelled through their own pipeline.

Data sets (April or August)

The undergraduate pipeline uses data with different effective dates across its models. Data to the end of academic year 2024/25, as at 31 August 2025, is used to forecast entrants to higher education. Some later models still use data to 30 April 2025 because the August data is not yet compatible across the full pipeline. This timing difference creates some uncertainty, although management has assessed that the impact is not material. Work is planned to integrate August data more consistently across the pipeline in future years.

Principal assumptions

The principal assumptions embedded within the models are that:

- education providers will not reach capacity constraints over the forecast period
- characteristics of future students and their courses are the same as historic borrowers
- maximum loan entitlement and fee caps increase in line with official inflation forecasts

- the earnings of postgraduate borrowers are in line with undergraduate earnings plus an earnings premium
- earnings pathways, voluntary and overseas repayment patterns, and repayment frictions (where repayments made are not consistent with annual recorded earnings, for example due to moving jobs in year) for future borrowers follow similar patterns to historical borrowers

15.4.2 Entrants model group

The undergraduate and postgraduate pipelines have separate entrant borrower models which are the first step in the pipelines. These models forecast the number of undergraduate and postgraduate entrants taking out a student loan over a 6-year forecast period. In the undergraduate pipeline, only the first year of the forecast (2025/26, running from September 2025 to August 2026) affects the carrying value as of 31 March 2026. In the postgraduate pipeline, both the baseline entrant count (2024/25, ending 31 August 2025) and the first year of the forecast (2025/26) affect the current year's loan carrying value. No other years forecasted by these models affect the carrying value.

Aim

The undergraduate model forecasts the number of full-time English domiciled undergraduate entrants who are expected to take out a tuition fee loan, a maintenance loan or both. Annual growth in these forecast numbers is derived and inputted in the student loan outlay model to estimate future borrower loan outlay payments.

The postgraduate model estimates the number of new postgraduates taking out a postgraduate loan. These numbers are then inputted into the repayments model.

Modelling approach

The undergraduate model projects the historical relationship between UCAS acceptances and borrower counts one year into the future. It then uses 2025/26 UCAS acceptance numbers to predict 2025/26 borrower numbers. For a subgroup of borrowers where UCAS data is not predictive of borrower numbers (for example, because only a small proportion of borrowers in the group apply to higher education through UCAS), the model projects the historical trend in borrower numbers forward in time. Several modelling approaches are available; for each demographic group the approach that performs best in back testing and that best reflects the historical growth is chosen by the analyst.

The postgraduate model estimates the number of borrowers expected to receive a loan for 2024/25 and 2025/26 using in-year Group data. It uses the growth in payments that occurred across the academic year in historical years to estimate the total number of entrant postgraduates at the end of the payment cycle based on the partial count in the data.

Output

The forecast entrant borrower growth is a key input to the outlay model. Entrant borrower growth affects the projected value and timing of future loan outlays, the associated expected repayments and ultimately the valuation of student loans.

Key inputs and assumptions – undergraduate pipeline

The following data sets are considered key for the outputs of this model that affect the carrying value:

- key inputs and assumptions:
  - UCAS undergraduate acceptances figures are used as a leading indicator of borrowing demand in part of the forecast (historic relationships between acceptance and loan borrower numbers are assumed to continue into the forecast period)
  - internal Group data on existing borrowers, segmented by age group, sex and provision type
- what affects the forecasts:
  - demand trends, including demand for higher education places and student finance which affect borrower volumes, course mix and the expected level of loan outlay
  - demographic factors, including age profile, domicile, study mode and provision type, which may influence borrower characteristics, loan amounts, repayment profiles and forecast accuracy
- main limitations and uncertainties:
  - sudden, year-on-year changes in the relationship between provider admissions behaviour and borrowing behaviour could affect forecast accuracy
  - growth of franchised provision and providers' responses to regulation remain uncertain

Key inputs and assumptions – postgraduate pipeline

The following named data sets are considered key for this model:

- key inputs:
  - internal Group data of existing borrowers
- key assumptions:
  - growth in loan payments across payment cycle in previous academic years is indicative of loan payments across the payment cycle in future years
- what affects the forecasts:
  - the forecast is the growth in postgraduate borrower numbers recorded at the time of forecasting, relative to the numbers recorded at the same point in the previous year (it is mostly driven by actual early in-year data)

15.4.3 Undergraduate outlay model

Aim

The model forecasts the amount of undergraduate student loan funding the Department expects to pay out.

Modelling approach

The model combines existing student data with the entrant borrower forecasts. It samples the borrower population and uses a micro-simulation to reflect continuation, drop-outs, and additional borrowing.

The model functions in the following way:

- Undergraduate loans are forecast mainly using individual-level historical borrower data. The model starts from the latest available academic year data, estimates missing information at the end of the academic year, then uses this as the baseline for future forecasts.
- Future undergraduate borrowers are generated by applying growth rates from the entrant borrower model. These forecast borrowers are allocated loan amounts based on historical patterns, announced loan caps and inflation assumptions.

Academic year forecasts are converted into financial year forecasts by estimating how loan payments fall across financial years.

Outputs

The model produces:

- forecasts for total higher education student loan outlay, by product type, including full time and part-time undergraduate tuition fee and maintenance loans
- forecasts by academic year and financial year
- long-term outlay forecasts, extending beyond the immediate forecast period
- comparisons between forecast and outturn data to assess model performance

Key inputs and assumptions

The main inputs are:

- internal data on existing borrowers and loan repayments
- forecast entrant borrower growth rates from the entrant borrowers model
- announced tuition fee and maintenance loan caps
- OBR RPIX inflation forecasts and ONS RPIX outturns
- historical borrower characteristics, such as study mode, domicile, institution type, course duration and loan product

The model assumes that:

- future borrower characteristics and behaviour will be broadly similar to recent historical borrowers
- future borrower growth follows the entrant borrower model
- loan caps are uprated using OBR RPIX forecasts where future rates have not been announced
- course duration patterns and continuation rates remain broadly stable
- academic year loan payments can be apportioned into financial years using historic payment patterns

Main limitations and uncertainties:

- outlay forecasts are sensitive to entrant borrower forecasts, future loan caps, inflation assumptions, course duration and continuation patterns, and changes in borrower behaviour or policy

15.4.4 Earnings model

Aim

The earnings model estimates each borrower's future earnings path over their repayment term. This is needed because student loan repayments depend on how much a borrower earns each year. The timing of earnings matters because repayments, interest and write-offs are calculated annually by the model. The model uses the following approaches for undergraduate and postgraduate loans.

Modelling approach

The model forecasts earnings at individual borrower level using a micro-simulation approach. It creates an earnings path for each borrower by comparing them with similar individuals in historical data.

It has two parts:

- **Early-career earnings model:** used for the first ten years after the borrower's statutory repayment due date (SRDD). It uses internal and LEO data, where borrower characteristics and early repayment earnings are available.
- **Long-term earnings model:** used from year 11 to year 43 after SRDD. It uses HMRC earnings data for a 10% sample of the UK population, because this gives richer information on earnings later in working life.

For each borrower, the model finds the ten most similar people in the relevant historical dataset. Similarity is based on characteristics such as age, sex, course type, subject, provider group, domicile and up to three years of previous earnings, depending on the model stage. The model then selects a next-year earnings outcome from one of those similar individuals, giving more weight to closer matches. This process is repeated each year to build a full earnings path.

Key inputs and assumptions

Key inputs include:

- internal data on borrowers, loans, courses and early earnings
- LEO data to improve early-career earnings information, especially where high earners have already repaid
- HMRC earnings data for longer-term earnings patterns
- ONS average weekly earnings data to rebase historical earnings
- borrower characteristics such as age, sex, course level, subject, provider group, domicile, SRDD and previous earnings

Key assumptions include:

- future borrowers' earnings will follow patterns similar to those observed in recent historical data
- by year 11 after SRDD, whether someone is a graduate is assumed to be less material once age, sex and earnings history are considered
- earnings are not forecast while a borrower is still undertaking their course
- postgraduate borrowers are assumed to have earnings similar to comparable first degree borrowers, with fixed percentage uplifts, based on academic research papers, applied for master's and doctoral borrowers

Main limitations and uncertainties:

- individual level data on graduate earnings is limited the further we go from SRDD; there is no data more than 30 years post-SRDD as there were no student loans at this point
- earnings forecasts are sensitive to historical earnings patterns, macroeconomic assumptions and the extent to which future borrowers resemble borrowers in the historical datasets
- postgraduate earnings are subject to greater uncertainty where repayment histories are shorter
- earnings projections are based entirely on historical behaviour and do not attempt to account for hard-to-predict shifts in the labour market

15.4.5 Repayments model group

Aim

The repayments model group estimates how much borrowers will repay over time, how much interest will accrue, when loans will be fully repaid or written-off and the overall cost of issuing student loans.

Modelling approach

The repayments model takes the earnings paths produced by the earnings model and applies student loan repayment rules to each borrower year by year on the basis of the borrowers' loan balance as defined by their loan balance at the start of the model period, further outlay, repayments and interest accrued.

The model calculates obligatory repayments based on the borrower's income, repayment threshold, repayment rate and loan plan. Borrowers can hold loans under multiple plan types, in which case rules around allocation of repayments to each plan type are applied consistent with published guidance.[107]

The model then adjusts repayment amounts to reflect real-world repayment behaviour. This includes:

- voluntary repayments made directly via the voluntary sub-model
- repayments made by overseas borrowers via the overseas sub-model
- direct repayments to SLC made by borrowers close to fully repaying
- repayment frictions, where actual repayments differ from the simple policy calculation because of factors such as multiple jobs, uneven monthly earnings or collection timing via the frictions sub-model

The model also tracks each borrower's loan balance in each year of their repayment term. It adds loan outlay and interest, subtracting repayments, and applies cancellations where relevant, such as death or reaching the end of the repayment term. Individual loan results are then aggregated and weighted to produce population-level forecasts.

The undergraduate, postgraduate and ALL models all follow broadly the same approach.

Outputs

The main outputs include:

- annual repayment forecasts by borrower and in aggregate
- loan balances over time
- interest accrual over time, including splitting out the variable portion of interest accrued by Plan 2 borrowers
- amounts written-off at the end of the repayment term or due to cancellation
- net present value of expected repayments
- initial day 1 fair value losses or gains for new lending
- annual revaluation fair value movements for existing loan balances
- sensitivity results showing how forecasts change under different economic or policy assumptions

107 https://www.gov.uk/repaying-your-student-loan/what-you-pay

Key inputs and assumptions

Key inputs include:

- internal data:
  - forecast borrower earnings from the earnings model
  - data on balances, loan outlay, direct repayments and borrower characteristics
  - loan policy rules, including repayment thresholds, repayment rates, repayment terms, interest rates and write-off rules
  - student number and loan outlay forecast data for mortality assumptions
- external data:
  - OBR forecasts for RPI, RPIX, earnings growth and the Bank of England base rate
  - HMT discount rates for valuing future repayments in present terms

Key assumptions include:

- borrowers repay according to the relevant income-contingent repayment rules unless adjusted for observed repayment frictions
- future voluntary, overseas and direct repayment behaviour is assumed to follow patterns seen in historical data
- repayments are capped at the borrower's remaining loan balance, and borrowers stop repaying once their balance reaches zero
- PAYE and voluntary repayments are assumed to occur midway through the financial year as an average repayment point across the year, while self-assessment repayments are assumed to occur at the end of January in line with self-assessment tax return deadlines
- loans are cancelled at the end of the repayment term, on death, or in other limited cases, with most modelling focused on term-end and mortality-related cancellations
- future macroeconomic conditions follow OBR forecasts unless tested through sensitivity analysis

Main limitations and uncertainties:

- repayment forecasts are sensitive to projected earnings, repayment thresholds, inflation, interest rates, voluntary repayment behaviour, overseas repayment assumptions and write-off rules

15.4.6 ALL pipeline

The ALL pipeline is separate to the undergraduate and postgraduate pipelines. It simulates borrowers from loan issuance through to repayment.

Aim

The model estimates how much of the loan book we expect to recover by simulating borrower lives and repayments.

Modelling approach

The model uses micro-simulation, creating many simulated borrowers and projecting their earnings, repayments, loan balances, interest and write-offs over the repayment term.

Key inputs and assumptions

Key inputs include:

- borrower characteristics
- loan details, including policy rules
- macroeconomic assumptions
- post-learning income
- employment status
- income distributions and life events such as mortality, migration and being permanently unfit for work

Key assumptions include:

- the model relies on historical borrower and LEO data
- OBR economic forecasts
- ONS' Labour Force Survey employment transitions and Annual Population Survey income distributions, and assumptions about how borrowers move between employment states and income levels over time

Main limitations and uncertainties:

- forecasts are inherently uncertain because they depend on future borrower behaviour, earnings, economic conditions, policy rules and data limitations
- the most significant uncertainty comes from future income assumptions because repayments are income contingent

15.4.7 Discounting

The final step in the valuation is to apply discount rates to the repayment profiles by pipeline. As discussed in note 1.3.4, FReM provides for two discount rates depending on the circumstances of the discounted financial instrument. The rate used must be the higher of the financial asset's intrinsic rate or the published PES rate.

Owing to similarities within loan plan types, we apply discount rates across plan types. At the year end all plan types had the PES rate applied.

As the valuation depends on long-term forecasts rather than quoted market prices, the Department treats the key valuation assumptions as significant unobservable inputs. The discounting approach is therefore considered alongside other level 3 assumptions when assessing fair value movements and preparing sensitivity analysis.

15.4.8 Significant changes in models in year

During the year the Department updated the modelling pipeline to incorporate the latest data, improve methodology and strengthen controls. Where the impact on carrying value is not separately quantified, the effect is included within the impact of changes in assumptions and modelling in note 15.2.

Model	Change made	Impact on carrying value
Undergraduate entrants model	Re-developed to remove restrictive assumptions linking applicants, acceptances and entrants, and to allow the best-performing statistical model to be selected for each demographic group.	£0.3 billion increase
Undergraduate earnings model	Updated inputs and corrected in-year bugs.	£4.2 billion reduction
Repayments modelling group	Corrected fair value calculations, including the allocation of future repayments to partly paid-out loans.	£0.3 billion reduction
Postgraduate entrants model	Replaced flat-growth assumptions with a forecasting approach that uses updated entrant data and contextual information to identify underlying trends.	Less than £20 million
Postgraduate earnings and repayments modelling	Updated borrower sample source and applied the current undergraduate methodology to postgraduate earnings-path modelling.	£0.1 billion reduction

15.4.9 Assurance over the carrying value

Each year, movements in the carrying value of student loans are explained through the year-end valuation and audit pack process. Management reviews updated model outputs, discounting assumptions, collection cost estimates and supporting reconciliations before the valuation is approved and recognised in the accounts.

15.5 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, including unobservable inputs used in the fair value measurement. 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 15.1. Annex C presents an unaudited analysis of the sensitivity analysis by plan type.

RPI

	2026	2025
	£m	£m
Year end carrying value	165,791	157,866
Impact on carrying values from		
An increase of RPI of 1%	(20,548)	(22,636)
A decrease of RPI of 1%	25,287	27,779
An increase of RPI of 2%	(41,044)	(45,177)
A decrease of RPI of 2%	48,885	52,633

Commentary

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

OBR's outturn for March 2026 RPI is 4.1% and is forecast to reduce to 2.9% next year before reducing further to 2.1% by the end of the forecast period (prior year: 3.3% and was forecast to increase to 4.2%). 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 or 40-year life of the loans.

Loan repayment threshold

	2026	2025
	£m	£m
Year end carrying value	165,791	157,866
Impact on carrying values from		
An increase of the threshold by £1,000	(1,783)	(1,497)
A decrease of the threshold by £1,000	6,065	5,864

Commentary

The repayment threshold determines the earnings level above which borrowers repay their student loans. Repayment thresholds are specific to plans and are revised individually, as set out below:

- Plan 1: current year's threshold £26,065, uprated each year in line with RPI
- Plan 2: current year's threshold £28,470, uprated by RPI
- Plan 3: current year's threshold £21,000, remains frozen
- Plan 5: current year's threshold £25,000, frozen until 2027-28 after which it will increase by RPI

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.

Multiple factors

Four mixed situations have been tested and are presented below:

- 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 of changes in both, because both are updated annually.

	2026	2025
	£m	£m
Year end carrying value	165,791	157,866
Impact on carrying values from		
Scenario 1	10,862	10,645
Scenario 2	(9,643)	(9,055)
Scenario 3	13,979	13,702
Scenario 4	(6,888)	(6,449)

Commentary

The PES rate is used to calculate the remeasurements on student loans. The PES rate is the long-term cost of government borrowing. The current year amendment was an increase of 0.30% to 2030 and 0.35% thereafter (prior year: 0.20% increase and 0.05% respectively). 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.

15.6 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 or 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. Annex C presents an unaudited analysis of the budgetary performance by plan type.

Summary analysis

	2026	2025
	£m	£m
Outturn by activities		
Net lending	29,848	31,207
Fair value loss on loan origination	6,986	6,122
Annual revaluation fair value loss or (gain)	30	2,516
Losses (not part of student loan carrying value, see note 9)	9	–
Total	**36,873**	**39,845**
Outturn by budget class		
CAME	29,600	30,897
RAME	(5,627)	(3,825)
RDEL	12,900	12,773
Total	**36,873**	**39,845**

Further analysis

	2026	2025
	£m	£m
Net lending		
CAME		
Loan advances	21,187	20,662
Repayments	(5,164)	(4,830)
Capitalised interest	13,577	15,065
Cancellations	248	310
Total	**29,848**	**31,207**
Fair value loss on loan origination		
RDEL		
Impact of policy changes	–	17
Residual fair value change	6,296	5,480
RAME		
Impact of discount rate change	690	625
Sub-total	**6,986**	**6,122**
Annual revaluation fair value loss or (gain)		
RDEL		
Modelling differences	203	554
Operational costs movement	(17)	59
Residual fair value change	6,418	6,663
RAME		
Capitalised interest	(13,577)	(15,065)
Unwinding the discount	7,938	11,086
Release of deferred fair value gains	(30)	(23)
Impact of discount rate change	(444)	(280)
Modelling differences	(213)	(168)
CAME		
Cancelled – in-year	(248)	(310)
Sub-total	**30**	**2,516**
Total fair value loss (note 9)	**7,016**	**8,638**
Losses (not part of student loan carrying value, see note 9)	**9**	**–**

16. Other loans

16.1 Current loans

	2026		2025	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
PF2 loan assets	–	38	–	39
Further education sector loans	22	22	20	20
Academy sector loans	19	19	25	25
Higher education sector loans	–	–	–	–
Other loans	–	–	–	–
Total	**41**	**79**	**45**	**84**

16.2 Non-current loans

	2026		2025	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
PF2 loan assets	–	388	–	410
Further education sector loans	269	269	237	237
Academy sector loans	88	88	90	90
Higher education sector loans	2	3	–	–
Other loans	1	1	3	4
Total	**360**	**749**	**330**	**741**

16.3 Loan types

PF2 loan assets

These are loans made within the structure of the Group's PF2 transaction between the Group and the transaction's five regional 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%).

Further education sector loans

Loans to the sector representing both exceptional financial support and restructuring facility loans provided to colleges to safeguard learner provision. These loans provided to colleges have varied terms based on the individual merits of each college's situation.

Academy sector loans

Loans issued to the sector comprise the following types:

- deficit funding loans, to assist with academy trusts' deficit funding at conversion with their ex-local authority; with loan repayments collected 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

17. Receivables

17.1 Amounts falling due within one year

	2026		2025	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Trade receivables	60	89	9	38
VAT receivables	17	12	18	13
Other receivables:				
student loan HMRC recovered funds	317	317	466	466
student funding overpayments	35	35	–	–
other	162	174	153	150
Prepayments	22	40	13	27
Accrued income	18	18	27	29
Total	**631**	**685**	**686**	**723**

Trade receivables are presented after applying impairment allowances of £31 million (Department and Agencies) and £201 million (Group) (prior year: £46 million and £207 million respectively). The majority of the trade receivables impairment arises in CITB and ECITB against their levy income.

Other receivables – student loan HMRC recovered funds are amounts repaid by borrowers, recovered by HMRC through the PAYE system but yet to be passed across to the Group by HMRC.

17.2 Amounts falling due after more than one year

	2026		2025	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Other receivables:				
student funding overpayments	424	424	42	42
other	–	–	2	(1)
Total	**424**	**424**	**44**	**41**

17.3 Student funding overpayment receivables

During the year we became aware that in prior years, student funding payments which became overpayments (through changes in circumstances of borrowers) had been retained as part of student loan balances disclosed in note 15. This was incorrect, student funding loan overpayments are receivables categorised as FVTPL. A correction has been made this year to correctly recognise student funding loan overpayments as receivables rather than as student loans.

The Department now recognises two types of student funding overpayments receivables:

- overpayment of grants issued to students, which are classified as amortised cost and impaired
- overpayments of loans issued to students, which are classified as FVTPL and held at fair value

	2026			2025		
	Grants	Loans	Total	Grants	Loans	Total
	£m	£m	£m	£m	£m	£m
Overpayment receivables						
Opening balance	445	–	445	436	–	436
Additions:						
in-year	23	251	274	22	–	22
classification correction	–	834	834	–	–	–
Interest	–	49	49	–	–	–
Repayments	(10)	(35)	(45)	(11)	–	(11)
Cancelled or written-off	(2)	(2)	(4)	(2)	–	(2)
Fair value loss	–	(680)	(680)	–	–	–
Closing balance	**456**	**417**	**873**	**445**	**–**	**445**
Impairment allowance						
Opening value	(403)	–	(403)	(396)	–	(396)
Impairment (charge)/ credit	(11)	–	(11)	(7)	–	(7)
Closing balance	**(414)**	**–**	**(414)**	**(403)**	**–**	**(403)**
Net receivables	**42**	**417**	**459**	**42**	**–**	**42**
Disclosed as						
Within one year	9	26	35	–	–	–
After more than one year	33	391	424	42	–	42
Total	**42**	**417**	**459**	**42**	**–**	**42**

18. Cash and cash equivalents

18.1 Analysis

	2026		2025	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Balance at 1 April	502	636	892	1,056
Net change in cash and cash equivalent balances	266	233	(390)	(420)
Balances at 31 March	**768**	**869**	**502**	**636**
The following balances are held as cash at bank and in hand				
Government Banking Service	733	760	489	519
Commercial banks	–	74	–	104
Cash held by third parties on behalf of the Group	35	35	13	13
Balance at 31 March	**768**	**869**	**502**	**636**

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.

18.2 Reconciliation of liabilities arising from financing activities

2026

			Non-cash changes		
	2025	Cash flows	Acquisition	Other	2026
	£m	£m	£m	£m	£m
Supply	502	265	–	–	767
PF2 imputed lease liabilities	551	(18)	–	–	533
PF2 loan liabilities	455	(24)	–	–	431
Insurance contract liabilities	–	39	–	268	307
Lease liabilities	197	(13)	5	(8)	181
Total liabilities from financing activities	**1,705**	**249**	**5**	**260**	**2,219**

2025

			Non-cash changes		
	2024	Cash flows	Acquisition	Other	2025
	£m	£m	£m	£m	£m
Supply	878	(376)	–	–	502
PF2 imputed lease liabilities	567	(16)	–	–	551
PF2 loan liabilities	478	(23)	–	–	455
Lease liabilities	229	(26)	3	(9)	197
Total liabilities from financing activities	**2,152**	**(441)**	**3**	**(9)**	**1,705**

19. Current payables

	2026		2025	
	Department & Agencies	Group	Department & Agencies	Group
				(Re-presented)
	£m	£m	£m	£m
Tax and social security payables	12	18	11	16
Trade payables	41	52	38	43
Other payables	331	341	584	603
Accruals	1,282	1,323	1,331	1,382
Deferred income	30	45	27	37
Lease liabilities (note 21)	6	9	11	13
PF2 imputed lease liability	17	17	16	16
PF2 loan liabilities	–	27	–	27
Amounts issued from the Consolidated Fund for Supply but not spent at year end	767	767	502	502
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:				
received	1	1	–	–
Total	**2,487**	**2,600**	**2,520**	**2,639**

Current and non-current payables disclosure tables have been re-presented through the inclusion of lease liabilities. Following the adoption of IFRS 17, management decided to combine both disclosures into single disclosures by maturity. No change to the underlying values has been made, this is purely presentational.



20. Non-current payables

20.1 Analysis

	2026		2025	
	Department & Agencies	Group	Department & Agencies	Group
				(Re-presented)
	£m	£m	£m	£m
Other payables	206	206	242	240
Deferred income	3	3	3	3
Lease liabilities (note 21)	144	172	155	184
PF2 imputed lease liability	516	516	535	535
PF2 loan liabilities	–	404	–	428
Total	**869**	**1,301**	**935**	**1,390**

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 at 31 December 2025 £383.5 million (prior year: £406.0 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 £11.9 million (prior year: £12.1 million) of accrued interest and an unamortised effective interest adjustment of £4.8 million debit (prior year: £5.2 million debit) as at the company's year end of 31 December 2025.

The loans are repayable in six-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%).

At 31 December 2025, £2.5 million interest has been accrued on the subordinated debt of £37.9 million (prior year: £2.5 million and £38.9 million respectively).

20.2 Maturity analysis

The maturity analysis covers the Group's financial liabilities with defined multi-year maturities: PF2 loan liabilities and PFI lease liabilities. Lease maturities are shown in note 21.2.

	2026		2025	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Not later than one year	17	44	16	43
Later than one year and not later than five years	82	182	76	183
Later than five years	434	738	459	780
Total	**533**	**964**	**551**	**1,006**

21. 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.

21.1 Analysis

	2026		2025	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Balance as at 1 April	166	197	197	229
Additions	3	5	10	11
Interest	5	6	7	9
Repayments	(16)	(19)	(32)	(34)
Modification adjustments	(8)	(8)	(16)	(18)
Closing balance as at 31 March	**150**	**181**	**166**	**197**
Disclosed as				
Amounts due within one year	6	9	11	13
Amounts due after more than one year	144	172	155	184
Total	**150**	**181**	**166**	**197**
Allocation across activity types				
Operational assets	121	152	125	156
Education sector assets	29	29	41	41
Total	**150**	**181**	**166**	**197**

21.2 Maturity analysis

	2026		2025	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Not later than one year	6	9	16	20
Later than one year and not later than five years	29	38	49	65
Later than five years	115	134	101	112
Total	**150**	**181**	**166**	**197**
Expected receipts from sub-leases	**2**	**2**	**2**	**2**

22. Insurance contracts

22.1 Primary statement balances

	2025-26		2024-25	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Statement of Comprehensive Net Expenditure				
Insurance revenue	151	151	–	–
Insurance service expense	253	253	–	–
Loss or (gain) on onerous insurance contracts	2	2	–	–
Insurance finance costs	6	6	–	–
Statement of Financial Position				
Insurance contract assets	5	5	–	–
Insurance contract liabilities within one year	(132)	(132)	–	–
Insurance contract liabilities after more than one year	(180)	(180)	–	–

22.2 Reconciliation of insurance contract liabilities

2026

	Liability for remaining coverage	Loss component in liability for remaining coverage	Liability for incurred claims	Insurance contract liabilities
	£m	£m	£m	£m
Opening balances at 1 April 2025	**–**	**–**	**–**	**–**
Transfer in of claims payable on 1 April 2025	–	–	(158)	(158)
Fees received	(146)	–	–	(146)
Insurance revenue	151	–	–	151
Insurance service result: incurred expenses	–	–	(253)	(253)
Insurance service result: loss or (gain) on onerous contracts	–	(2)	–	(2)
Settlement of claims	–	–	107	107
Derecognition of contracts	–	–	–	–
Unwinding of the discount	–	–	(7)	(7)
Changes in discount rate	–	–	1	1
Closing balances at 31 March 2026	**5**	**(2)**	**(310)**	**(307)**
Closing insurance contract assets	5	–	–	5
Closing insurance contract liabilities	–	(2)	(310)	(312)
Closing balances at 31 March 2026	**5**	**(2)**	**(310)**	**(307)**
Presented as				
Insurance contract assets	5	–	–	5
Insurance contract liabilities under one year	–	(1)	(131)	(132)
Insurance contract liabilities over one year	–	(1)	(179)	(180)

22.3 Adoption of IFRS 17

The Department adopted IFRS 17 from 1 April 2025, with retrospective adoption from 1 April 2024 as required by FReM. Management judged the impact of adoption to be immaterial to Group reporting so has chosen not to restate prior years, as allowed by IAS 8. All changes from adopting the new accounting standard have been treated as in-year costs. As part of the adoption existing payables from reported claims were transferred into the LfIC and the opening RPA provision was released.

The table below presents the recalculated insurance liability balances arising from full adoption if we were to restate prior years.

	Liability for remaining coverage	Loss component in liability for remaining coverage	Liability for incurred claims	Insurance contract liabilities
	£m	£m	£m	£m
Opening insurance contract assets	–	–	–	–
Opening insurance contract liabilities	–	–	(167)	(167)
Net opening balances at 1 April 2024	**–**	**–**	**(167)**	**(167)**
Fees received	(124)	–	–	(124)
Insurance revenue	128	–	–	128
Insurance service result: incurred expenses	–	–	(169)	(169)
Insurance service result: loss/(gain) on onerous contracts	–	(5)	–	(5)
Settlement of claims	–	–	106	106
Derecognition of contracts	–	–	–	–
Unwinding of the discount	–	–	(6)	(6)
Changes in discount rate	–	–	(1)	(1)
Closing balances at 31 March 2025	**4**	**(5)**	**(237)**	**(238)**

22.4 Other disclosures

Discount rate

The Department has applied risk-free rates published by the Prudential Regulation Authority for discounting its insurance contract liabilities.

IFRS 17 requires entities to determine discount rates using either the ‘bottom up’ or ‘top down’ approach. The ‘top down’ approach involves using discount rate curves derived from a portfolio of reference assets which are then adjusted to remove any factors which are not relevant to the insurance contracts. We have elected to apply the ‘top down’ approach.

Consideration therefore needs to be given to what a suitable reference asset portfolio would be for the Department as a government department. The government can raise funds either through taxation or the issuing of Gilts. The Department’s activities are financed through Supply and the Consolidated Fund. For the purposes of IFRS 17, the Department can be viewed as always having the ability to raise funds to meet its liabilities when they fall due and doesn’t earn any investment returns as it does not hold assets against its liabilities.

Consequently, a “risk free” portfolio of assets is considered a reasonable reference portfolio for the purpose of calculating discount rates. The yield curves do not contain any allowance for defaults and there is no mis-match from a liquidity or currency perspective. Therefore, no adjustment is required.

23. Provisions

23.1 Analysis

	2026		2025	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Balance at 1 April	280	311	289	330
Provided in year	5,806	5,845	173	203
Not required written back	(83)	(84)	(15)	(16)
Provision utilised in year	(25)	(52)	(169)	(209)
Borrowing costs (unwinding of discount)	21	21	5	6
Change in discount rates	(19)	(19)	(3)	(3)
Balance at 31 March	**5,980**	**6,022**	**280**	**311**
Presented as				
Current provisions	5,837	5,872	60	87
Non-current provisions	143	150	220	224
Total	**5,980**	**6,022**	**280**	**311**

In February 2026, the government announced an agreement with local authorities and HMT to address accumulated deficits in the DSG grant. The Department has agreed to provide additional funds (the high needs stability grant) to settle 90% of accumulated DSG deficits at 31 March 2026 if conditions are met. The Department expects to make grant payments in autumn 2026. A provision was recognised in February 2026 to recognise the uncertainly around the future payments. The year end value is after applying the short-term discount rate of 3.64% as required by HMT.

23.2 Analysis by provision type (Group)

2026

	High needs stability grant	Early departure costs	Inherited staff liabilities	RPA	Other	Total
	£m	£m	£m	£m	£m	£m
Balance at 1 April 2025	–	89	80	75	67	311
Provided in year	5,787	1	–	–	57	5,845
Not required written back	–	–	(6)	(75)	(3)	(84)
Provision utilised in year	–	(13)	(14)	–	(25)	(52)
Borrowing costs (unwinding of discount)	24	–	(2)	–	(1)	21
Change in discount rates	(17)	(2)	–	–	–	(19)
Balance at 31 March 2026	**5,794**	**75**	**58**	**–**	**95**	**6,022**

2025

	Early departure costs	Inherited staff liabilities	RPA	Other	Total
	£m	£m	£m	£m	£m
Balance at 1 April 2024	98	93	40	99	330
Provided in year	2	2	166	33	203
Not required written back	–	–	–	(16)	(16)
Provision utilised in year	(12)	(17)	(133)	(47)	(209)
Borrowing costs (unwinding of discount)	–	2	3	1	6
Change in discount rates	1	–	(1)	(3)	(3)
Balance at 31 March 2025	**89**	**80**	**75**	**67**	**311**

23.3 Analysis of expected discounted cashflows

	2026		2025	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Not later than one year	5,837	5,872	60	87
Later than one year but not later than five years	102	102	159	163
Later than five years	41	48	61	61
Total	**5,980**	**6,022**	**280**	**311**

24. Loan commitment financial liabilities

	2026		2025	
	Department & Agencies	Group	Department & Agencies (Restated)	Group (Restated)
	£m	£m	£m	£m
Balance at 1 April	2,670	2,670	2,493	2,493
Additions in the year	2,640	2,640	2,547	2,547
Released in the year	(2,630)	(2,630)	(2,492)	(2,492)
Cancelled in the year	–	–	–	–
Revaluation	463	463	122	122
Balance at 31 March	**3,143**	**3,143**	**2,670**	**2,670**

All loan commitment financial liabilities refer to student loan commitments (note 25.1).

Loan commitments create financial liabilities when they are agreed at below-market interest rates. The financial liability is valued as the loss we expect to recognise when the new financial asset is created when the loan commitment is drawn down. Loan commitment financial liabilities are initial recognised at fair value, calculated by applying the existing financial year day 1 loss rates per plan. At the year end the remaining loan commitments are revalued by applying the year end forecast of next year's day 1 loss rates per plan.

25. Commitments

25.1 Capital commitments

Contracted and approved commitments for the purchase or issue of non-current assets for use by the Group at 31 March not otherwise included in these financial statements:

	2026		2025	
	Department & Agencies	Group	Department & Agencies (Restated)	Group (Restated)
	£m	£m	£m	£m
Property, plant and equipment	–	–	–	–
Intangible assets	–	2	–	1
Student loans	9,274	9,274	8,907	8,907
Total	**9,274**	**9,276**	**8,907**	**8,908**

Student loan commitments represent the value of agreed loan facilities in place as at the year end but not yet drawn down. The balance includes both tuition and maintenance loans. Generally, students enter into new lending arrangements each academic year. The commitment represents potential lending to students which will be confirmed through their attendance on courses after the year end. The prior year has been restated to include student loan commitments that existed at that year end. Loan commitments are classified as capital commitments because when drawn down the resulting student loan is treated as a long-term financial asset.

25.2 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.

2026

	Operational assets	Education sector assets	Total
	£m	£m	£m
Leases for which IFRS 16 applies in full			
Not later than one year	13	1	14
Later than one year and not later than five years	55	5	60
Later than five years	137	40	177
Sub-total	**205**	**46**	**251**
Less future interest charges	(53)	(17)	(70)
Present value of obligations	**152**	**29**	**181**
Presented as			
Payables: amounts due within one year	8	1	9
Payables: amounts due after more than one year	144	28	172
Total	**152**	**29**	**181**
Analysed across reporting levels			
Department	121	29	150
Agencies	–	–	–
NDPBs	31	–	31
Total	**152**	**29**	**181**
Expected receipts from sub-leases	**–**	**2**	**2**

2025

	Operational assets	Education sector assets	Total
	£m	£m	£m
Leases for which IFRS 16 applies in full			
Not later than one year	18	2	20
Later than one year and not later than five years	58	7	65
Later than five years	140	137	277
Sub-total	**216**	**146**	**362**
Less future interest charges	(60)	(105)	(165)
Present value of obligations	**156**	**41**	**197**
Presented as			
Payables: amounts due within one year	12	1	13
Payables: amounts due after more than one year	144	40	184
Total	**156**	**41**	**197**
Analysed across reporting levels			
Department	125	41	166
Agencies	–	–	–
NDPBs	31	–	31
Total	**156**	**41**	**197**
Expected receipts from sub-leases	**–**	**2**	**2**

25.3 PFI commitments

	2026	2025
	£m	£m
Minimum lease payments		
Due within one year	60	61
Due later than one year and not later than five years	237	238
Due later than five years	662	722
Sub-total	**959**	**1,021**
Less interest element	(426)	(467)
Present value	**533**	**554**
Service elements due in future periods		
Due within one year	10	9
Due later than one year and not later than five years	49	46
Due later than five years	183	196
Total	**242**	**251**
Total commitments	**775**	**805**

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 and Agencies and Group reporting levels.

25.4 Policy funding commitments

Resource programmes

	2026		2025	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Not later than one year	3,360	3,900	5,155	5,669
Later than one year and not later than five years	4,191	4,198	4,831	4,838
Later than five years	2,629	2,629	2,639	2,640
Total	**10,180**	**10,727**	**12,625**	**13,147**

Commitments include those for grants to local authorities and voluntary aided schools to support them with their private finance initiative costs (£6.0 billion, prior year: £6.7 billion).

The Group has commitments (£3.7 billion, prior year: £3.5 billion) 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.

Capital programmes

	2026		2025	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
School rebuilding programme	1,595	1,595	1,015	1,015
Free schools	303	303	311	311
Further education transformation	257	257	367	367
Strategic school improvement	23	23	7	7
Total	**2,178**	**2,178**	**1,700**	**1,700**

Commitments for capital programmes are due to close within two years of the year end.

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.

25.5 Other financial commitments

	2026		2025	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Not later than one year	41	49	191	201
Later than one year and not later than five years	15	16	184	186
Later than five years	–	–	29	29
Total	**56**	**65**	**404**	**416**

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.

26. Contingent liabilities

Below we identify contingent liabilities recognised under IAS 37. More remote contingent liabilities are disclosed earlier in Remote contingent liabilities.

26.1 Quantifiable

The Group holds five quantifiable contingent liabilities (with a total value of £4.0 million) as described by IAS 37 (prior year: none). One liability has been quantified at £3.7 million concerning a contractual dispute and the other four liabilities concern legal cases with values assessed between £25,000 and £200,000.

26.2 Unquantifiable

Guarantees to the Local Government Pension Scheme

Separate guarantees exist covering the academy sector providers (academy trusts) and the further education sector providers (further education colleges). The guarantees are to the separate scheme funds to meet pension deficits if a provider in either sector closes without scheme members transferring to another LGPS member employer. The Department considers the guarantees to be unquantifiable due to the size of the academy and further education college sectors and the uncertainty over whether a provider will fail without being able to transfer staff to the successor LGPS employer.

The guarantees are unlimited, therefore all deficit payments that meet the guarantee policy will be funded. The Department has agreed with HMT that we can pay out up to £20 million (academy sector) and £32 million (further education sector) in any given year before requiring additional HMT approval. During the year, no payments were made by the Department in relation to either guarantee (prior year: £799,000 and £nil respectively).

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.

27. Related party transactions

The Department is the parent of the Agencies and sponsor of the NDPBs shown in note 28. 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.

In addition, the Group had a number of transactions with other government departments, other central government bodies and local authorities. Most of these transactions have been with the Government Property Agency (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.

The following are related party disclosures for those board-level individuals in post at year end:

- Olivia Bailey MP's
  - wife is a councillor on Reading Council
  - father is a councillor on Bracknell Forest Council

- Josh MacAlister MP's husband is a trustee at Cumbria Education Trust (which has 18 academies)
- Sir Kevan Collins is a non-executive trustee of The Education Endowment Foundation
- Steve Crocker is a:
  - trustee at the National Children's Bureau
  - director of Steve Crocker Consulting Limited
- Sir Peter Bazalgette is:
  - the chair of the council of the Royal College of Art
  - a non-executive director of Business LDN
  - Chancellor of the University of the West of England
- Naomi Eisenstadt is a trustee of The Education Endowment Foundation
- Susan Acland-Hood's brother is a member of the Kemnal Academies Trust (which has 45 academies)

Related party disclosures for those board-level individuals who were no longer appointed as at the year end are also given. The dates that individuals ceased to be appointed and so ceased to be included in related party disclosures, can be found in the Directors' report.

- Jack Boyer:
  - is the chair of trustees at the University of Bristol
  - his wife is chair of trustees at SafeLives

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. 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.

The majority of the spending disclosed below supports our policy objectives through grants to providers under the terms of the relevant funding available and apprenticeship training contracts (note 7). Individuals have minimal involvement in the application of policy funding which is bound by published terms and conditions. Where a related party relationship exists between an individual and a multi-academy trust all academies in the trust are included in the disclosures.

	2025-26		2024-25	
	Net payments/ (receipts)	Receivable/ (payable)	Net payments/ (receipts)	Receivable/ (payable)
	£000	£000	£000	£000
Policy funding and sector support				
The Kemnal Academies Trust	180,127	(3)	–	–
Reading Council	67,827	–	–	–
Bracknell Forest Council	49,088	–	–	–
University of the West of England	26,917	21	–	–
Cumbria Education Trust	25,748	–	–	–
University of Bristol	7,368	18	39,614	11
Royal College of Art	4,567	4	4,619	–
The Education Endowment Foundation	3,776	–	47,083	–
National Children's Bureau	2,460	(12)	2,909	–
BusinessLDN	470	–	376	–
SafeLives	42	–	169	–
Centerprise International Holdings Limited	–	–	234	(4)
Computing at Schools	–	–	227	–
St Bede's School Redhill	–	–	41	–
Other activities				
Steve Crocker Consultancy Limited	18	–	14	–
Whitehall and Industry Group	–	–	16	(4)
Jacqui Smith Advisory Limited	–	–	21	–

28. Entities within the Group

28.1 Movements in year

Skills England, a new executive agency, joined the Group from 2 June 2025.

Two bodies left the Group during the year. ESFA was abolished and absorbed back into the Department from 1 April 2025. IfATE closed on 31 May 2025 and its activities were transferred to either the Department or Skills England.

Note 3 discloses what assets and liabilities were transferred between Group bodies.

28.2 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. The closing position is:

Executive agencies

- Skills England
- Standards and Testing Agency
- Teaching Regulation Agency

Executive NDPBs

- Children's Commissioner's Office
- Construction Industry Training Board
- Engineering Construction Industry Training Board
- 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. The School Teachers' Review Body does not produce its own ARA.

29. Events after the reporting period

29.1 Student funding related events

29.1.1 March 2026 RPI publication

In April 2026, ONS issued the March 2026 Retail Prices Index (RPI) (4.1%). The Department has judged the confirmation of RPI in place at the year end to be an adjusting event. Consequently, we have applied the March 2026 RPI in the valuation modelling.

29.1.2 Student loan interest rate cap

On the 7 April 2026 the Department announced that for 2026/27 the interest rate applied to Plans 2 and 3 student loans will be capped at 6% instead of a maximum of RPI+3%. Later in April ONS published March 2026's RPI rate of 4.1% which prior to the cap have generated a maximum student loan interest rate of 7.1%.

The interest that applies to student loans is fixed by academic year, from 1 September to 31 August the subsequent year, using the RPI value for the year to March prior (in this case, March 2026).

Management consider the announcement of the cap to be a non-adjusting event. If we had adjusted, the net impact on the carrying value of the loans as at 31 March 2026 would be a decrease of £333 million.

29.1.3 Non-recovery of weekend-only course grant payments

In July 2026 ministers confirmed that weekend-only course grant payments would not be collected. The ministerial decision provided additional information to conditions that existed at the year end. Following the decision £45.5 million from 10,596 individuals (prior year: £nil) of grant payments were classified as cash losses.

29.1.4 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 (such as possible impacts of the ongoing US-Iran conflict) has continued since the year end with economic measures remaining weak.

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 made to the carrying values of student loans. Whilst we have 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.

29.1.5 OBR's October 2026 updated economic forecasts

In October 2026 OBR published their updated Economic and fiscal outlook (EFO)[108] alongside the 2026 Budget. The October 2026 EFO takes account of recent data and other developments, alongside government policies announced since OBR's previous forecast (March 2026) up to and including the budget. OBR note in the EFO's foreword that their work developing the EFO took place over the summer and early autumn 2026 using updated forecasts from various government departments.

Management considers the October 2026 EFO to be a non-adjusting event. The October EFO is based on economic conditions (such as another energy price spike and rises in interest rate rates) and expectations taken after the year end.

29.2 Early years entitlements

We have identified a potential issue relating to early years entitlements, specifically in connection with legacy benefits. We are working with HMRC to determine the scale of the issue, however at present we are unable to quantify it.

29.3 Movements in Group bodies after the year end

29.3.1 Intra-Group transfer

On 1 April 2026 LocatED was closed and its activities, assets and liabilities transferred into the Department. The table below presents the assets and liabilities that were transferred on 1 April 2026. The transfer will be accounted for as a transfer by absorption next year, assets and liabilities will be recognised by the Department on 1 April 2026 with no restatement of prior years. There is no impact on reported Group values, the transfer is between Group and Department and Agencies consolidation levels.

108 https://www.gov.uk/government/publications/october-2026-economic-and-fiscal-outlook

	LocatED
	£000
Current assets	
Receivables	75
Cash and cash equivalents	308
Total current assets	**383**
Current liabilities	
Payables	(1,498)
Total current liabilities	**(1,498)**
Net liabilities transferred	**(1,115)**
Net gain recognised in SoCNE	**1,115**

29.3.2 Inter-departmental group transfer

On 16 September 2025 the Prime Minister announced a machinery of government change between the Department and DWP over responsibility for adult skills. The transfer of responsibilities crosses departmental group accounting boundaries so will be accounted for by the transfer by merger approach. A second written ministerial statement in November 2025 confirmed that the transfer will be accounted for by ourselves and DWP as at 1 April 2026.

Prior years will be restated to remove income and expenditure, assets and liabilities generated by the transferred activities. The transfer involves part of the Department, Skills England, CITB, ECITB and IfATE.



2025-26 activities removed from the SoCNE

	Department	SE	CITB	ECITB	IfATE	Total
	£000	£000	£000	£000	£000	£000
Income	(16,050)	–	(267,606)	(41,925)	–	(325,581)
Total income	**(16,050)**	**–**	**(267,606)**	**(41,925)**	**–**	**(325,581)**
Staff costs	8,822	17,136	62,299	7,980	3,509	99,746
Policy funding:						
resource	4,512,862	7,805	131,028	29,816	–	4,681,511
capital	6,090	–	–	–	–	6,090
Purchase of goods and services	15,411	4,807	61,003	7,218	462	88,901
Depreciation, amortisation and other non-cash charges	7,498	637	37,262	(1,453)	162	44,106
Total operating expenditure	**4,550,683**	**30,385**	**291,592**	**43,561**	**4,133**	**4,920,354**
Net operating expenditure	**4,534,633**	**30,385**	**23,986**	**1,636**	**4,133**	**4,594,773**
Finance income	–	–	–	(1,152)	–	(1,152)
Finance expense	–	2	132	7	–	141
Net (gain) or loss on transfer of functions	978	(2,010)	–	–	1,032	–
Net expenditure for the year	**4,535,611**	**28,377**	**24,118**	**491**	**5,165**	**4,593,762**
Other comprehensive expenditure						
Total other comprehensive expenditure	**–**	**–**	**–**	**–**	**–**	**–**
Comprehensive net expenditure for the year	**4,535,611**	**28,377**	**24,118**	**491**	**5,165**	**4,593,762**

31 March 2026 assets and liabilities transferred to DWP

	Department	SE	CITB	ECITB	Total
	£000	£000	£000	£000	£000
Non-current assets					
Operational assets	–	–	19,285	116	19,401
Intangible assets	14,097	4,125	4,604	–	22,826
Total non-current assets	**14,097**	**4,125**	**23,889**	**116**	**42,227**
Current assets					
Inventories	–	–	78	–	78
Receivables	4,966	–	36,700	3,052	44,718
Cash and cash equivalents	–	2	59,349	12,104	71,455
Total current assets	**4,966**	**2**	**96,127**	**15,156**	**116,251**
Current liabilities					
Payables	(338,103)	(3,245)	(31,633)	(6,307)	(379,288)
Total current liabilities	**(338,103)**	**(3,245)**	**(31,633)**	**(6,307)**	**(379,288)**
Non-current liabilities					
Provisions	(961)	(335)	(32,108)	–	(33,404)
Total non-current liabilities	**(961)**	**(335)**	**(32,108)**	**–**	**(33,404)**
Net assets or (liabilities) transferred	**(320,001)**	**547**	**56,275**	**8,965**	**(254,214)**

31 March 2025 assets and liabilities transferred to DWP

	Department	ESFA	CITB	ECITB	IfATE	Total
	£000	£000	£000	£000	£000	£000
Non-current assets						
Operational assets	–	–	19,323	128	–	19,451
Intangible assets	27,595	–	3,969		2,911	34,475
Total non-current assets	**27,595**	**–**	**23,292**	**128**	**2,911**	**53,926**
Current assets						
Inventories	–	–	151	–	–	151
Receivables	29,008	13,057	33,381	1,078	65	76,589
Cash and cash equivalents	–	–	86,886	14,591	2,046	103,523
Total current assets	**29,008**	**13,057**	**120,418**	**15,669**	**2,111**	**180,263**
Current liabilities						
Payables	(307,821)	482	(40,955)	(6,341)	(5,775)	(360,410)
Total current liabilities	**(307,821)**	**482**	**(40,955)**	**(6,341)**	**(5,775)**	**(360,410)**
Non-current liabilities						
Provisions	(5,892)	–	(22,361)	–	(278)	(28,531)
Total non-current liabilities	**(5,892)**	**–**	**(22,361)**	**–**	**(278)**	**(28,531)**
Net assets or (liabilities) transferred	**(257,110)**	**13,539**	**80,394**	**9,456**	**(1,031)**	**(154,752)**

29.4 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 (unaudited)

Annex A – Additional performance reporting

Additional performance analysis

The following figures present the last five 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 five years has been provided to align to the lifespan of the current business groups, allowing for consistency of disclosure. In the figures, positive numbers represent net expenses or losses, whereas negative numbers represent net income or gains. In addition to outturn performance, we have also disclosed significant assets or liabilities managed by business groups where they exist.

Departmental Group

Figure 25: Outturn by budget class for the last five years

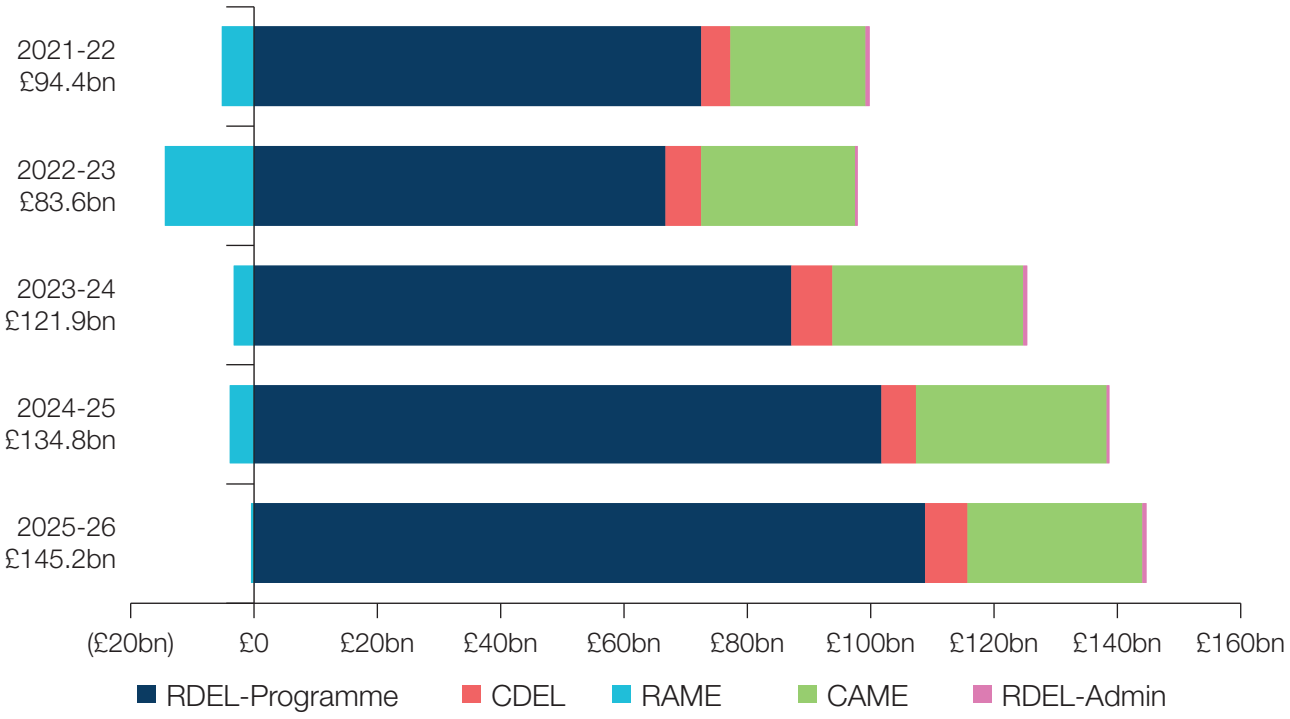
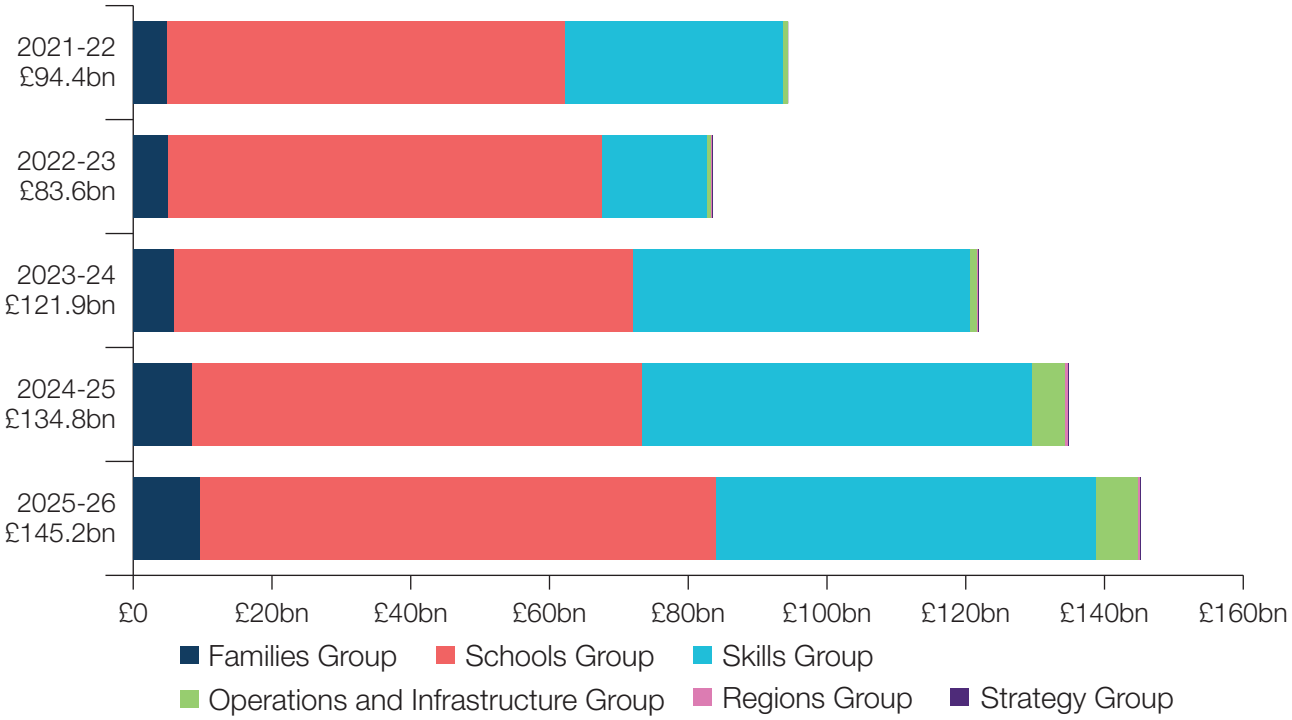


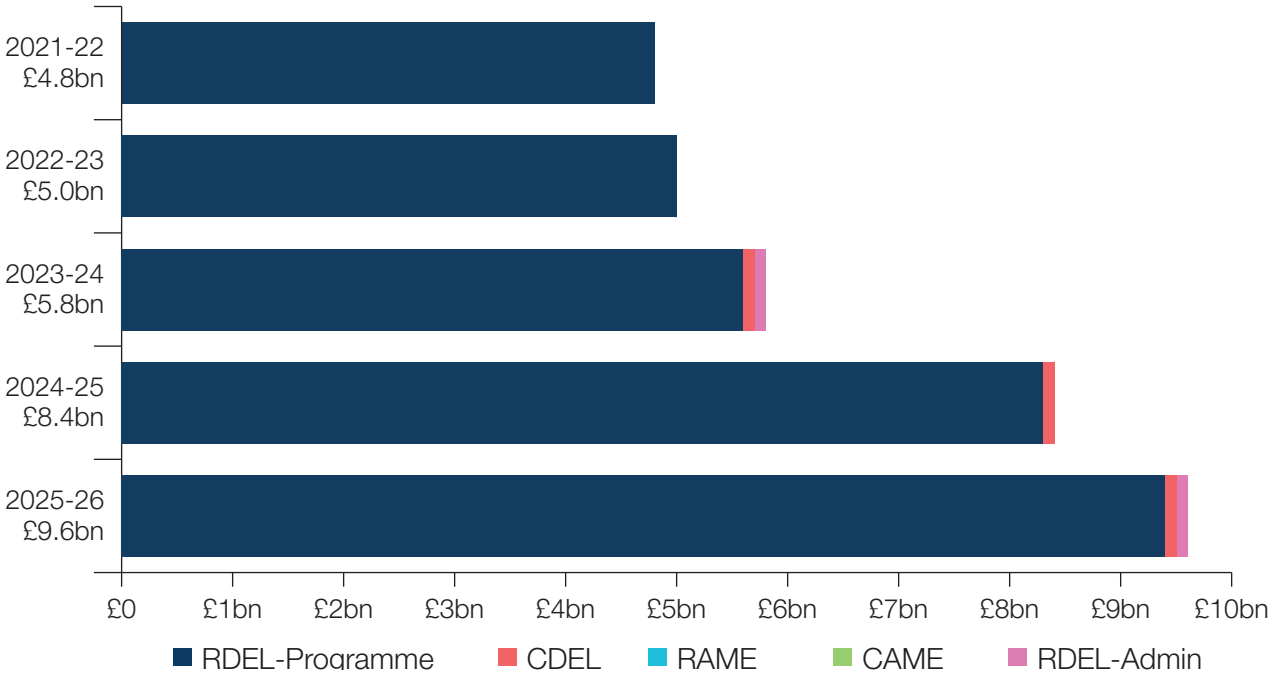
Figure 26: Outturn by operational unit for the last five years



The prior year restatement has no impact on outturn because loan commitment fair value movements are not scored to budgets.

Families Group

Figure 27: Analysis of Families Group outturn by budget class for the last five years

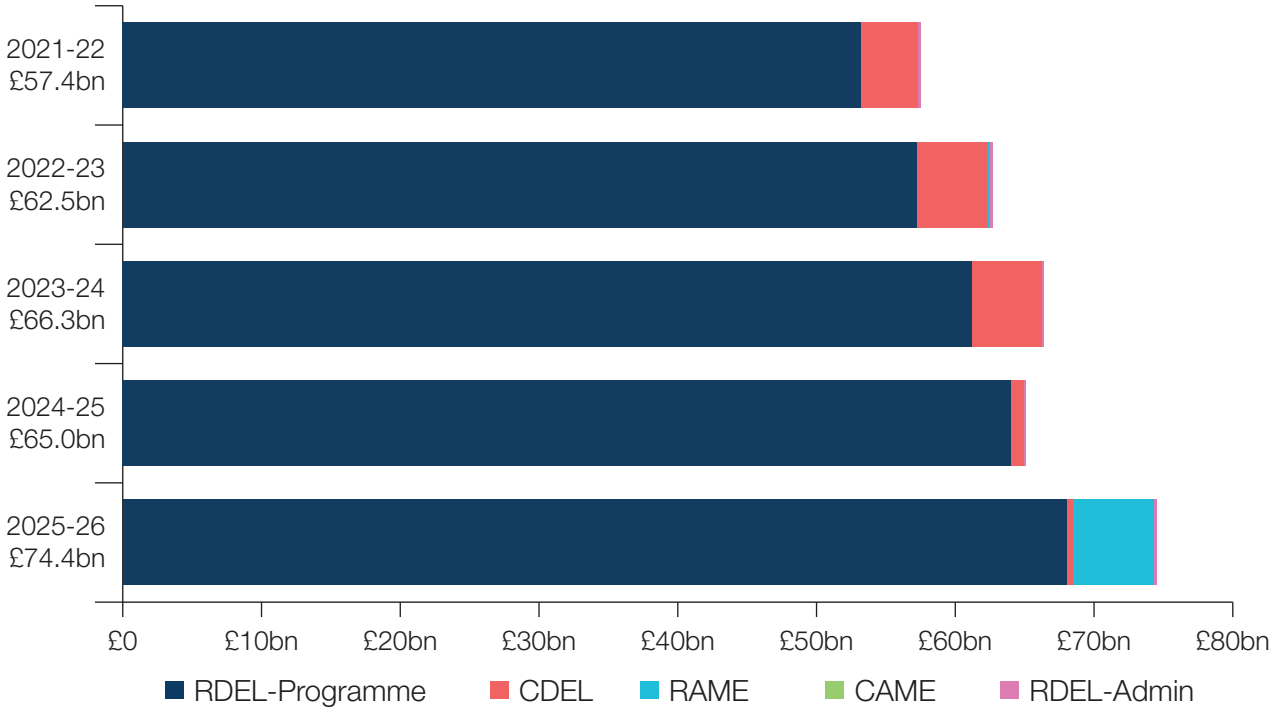


Please see note 7 for a breakdown of the current and prior years' resource policy funding (RDEL-Programme) activities.

No significant assets or liabilities are managed by this operational unit.

Schools Group

Figure 28: Analysis of Schools Group outturn by budget class for the last five years



Please see note 7 for a breakdown of the current and prior years' resource policy funding (RDEL-Programme) activities. The large current year RAME outturn is the provision for the high need stability grant payable in the autumn.

Table 24: Significant assets and liabilities managed by Schools Group at the last five year ends

SoFP caption	Specific item	2026	2025	2024	2023	2022
		£m	£m	£m	£m	£m
Education sector assets	AuC and investment property assets	676	323	776	611	–
Intangible assets	Intangible assets	150	121	120	–	–
Other loans	PF2 loan assets	426	449	471	493	–
Other loans	Academy sector loans	24	21	119	125	134
Payables	PF2 imputed lease liabilities	–	–	(567)	(583)	(598)
Payables	PF2 loan liabilities	(431)	(455)	(478)	(502)	–
Provisions	High needs stability grant	(5,794)	–	–	–	–
Provisions	Early departure provisions	(73)	(87)	(99)	(108)	(114)

Skills Group

Figure 29: Analysis of Skills Group outturn by budget class for the last five years

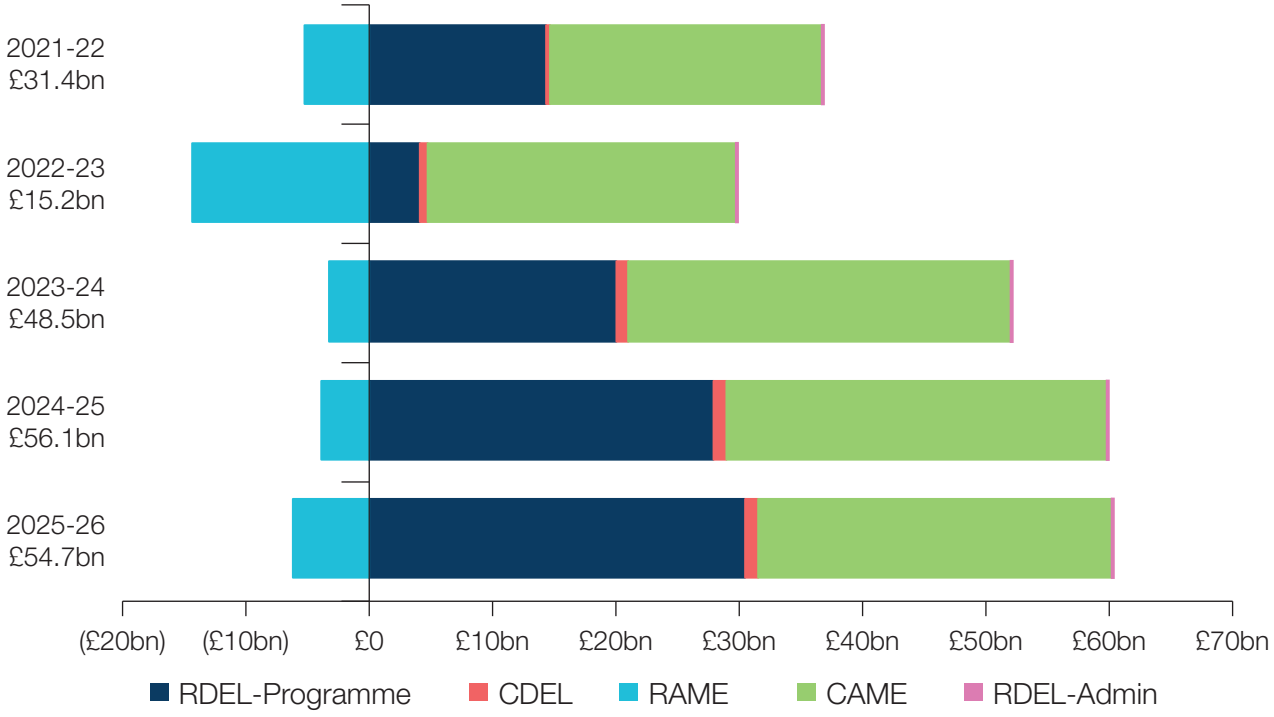
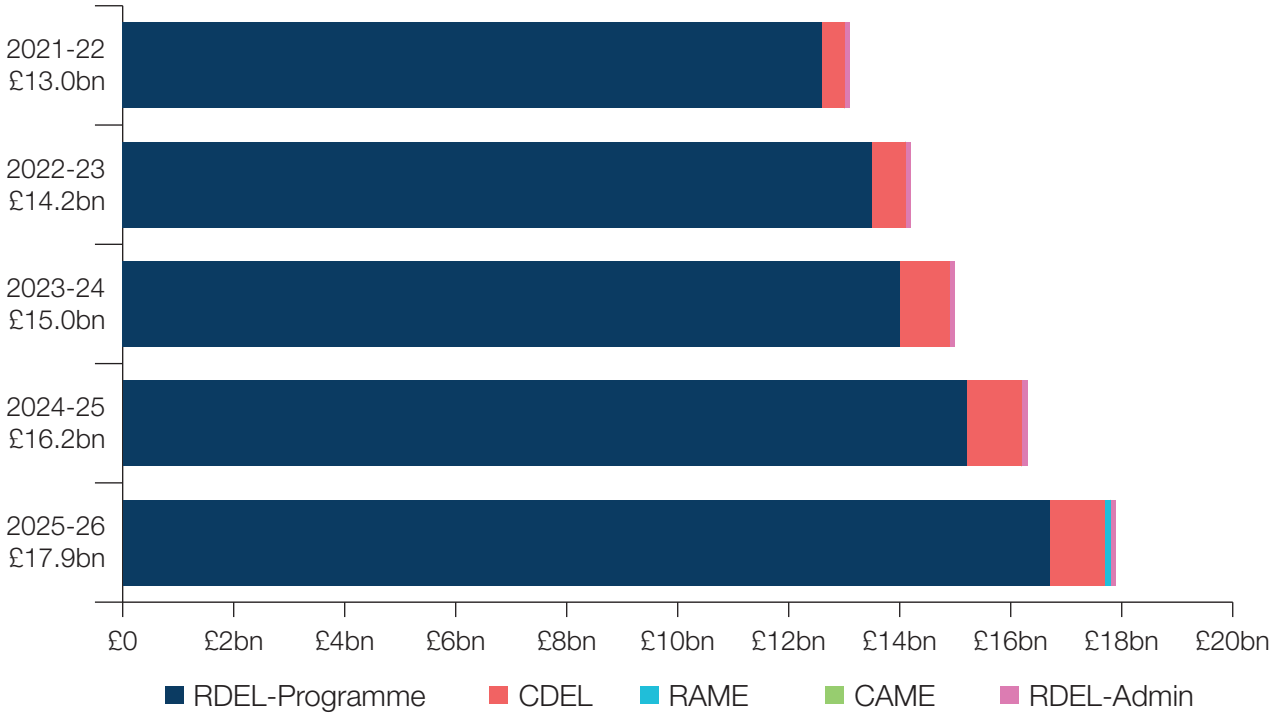
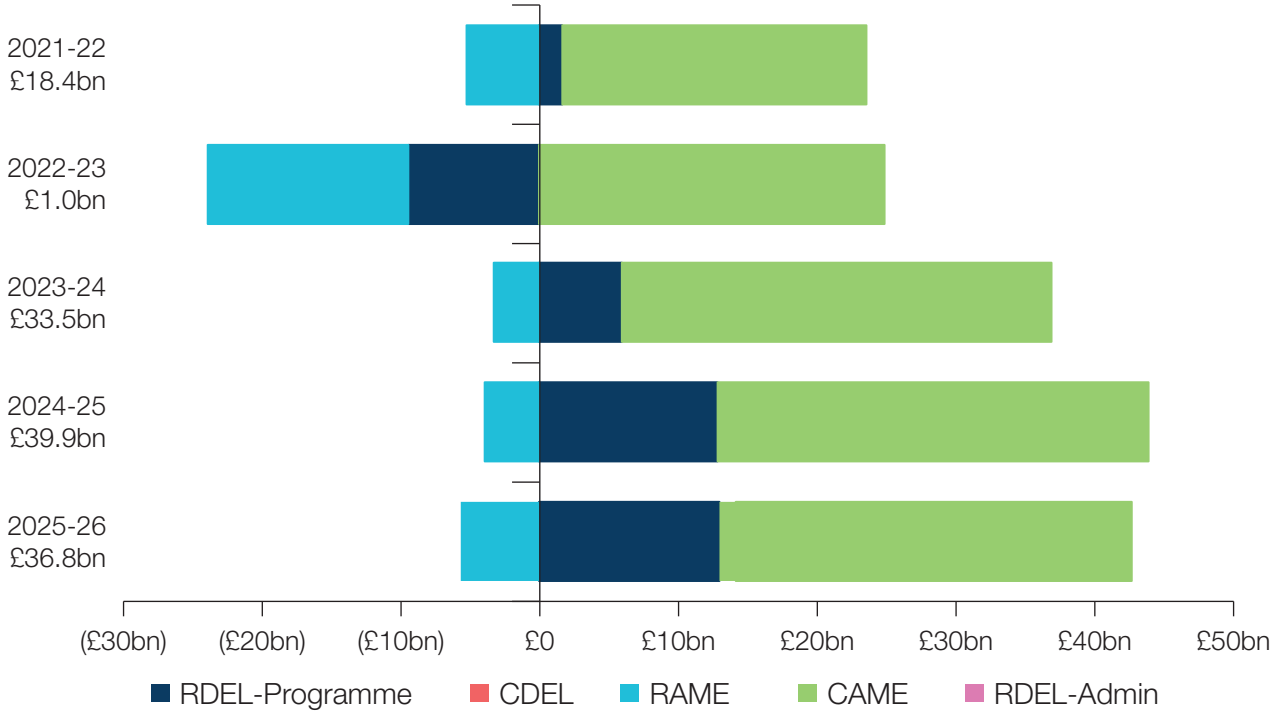


Figure 30: Analysis of non-student loan activity outturn by budget class for the last five years



Please see note 7 for a breakdown of the current and prior years' resource policy funding (RDEL-Programme) activities.

Figure 31: Analysis of student loans outturn by budget class for the last five years



Please see note 15 for additional information for the current and prior years of student loan budget costs.

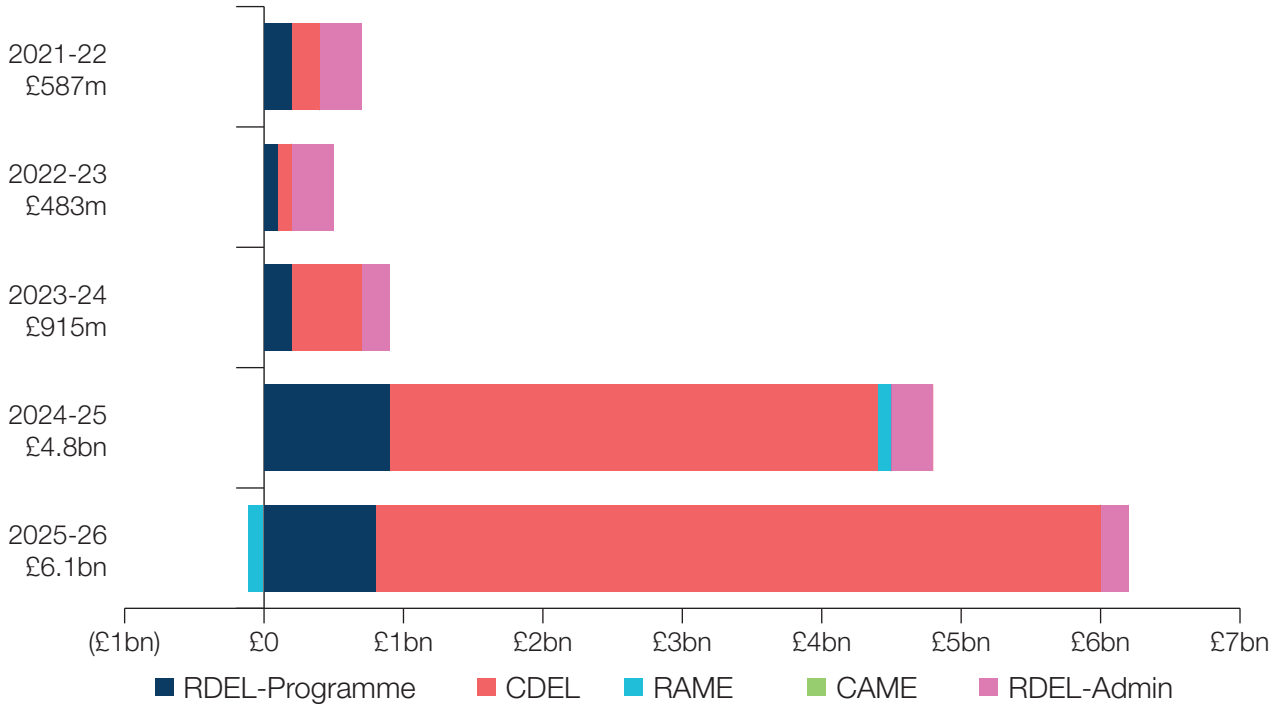
Table 25: Significant assets and liabilities managed by Skills Group at the last five year ends

SoFP caption	Specific item	2026	2025 (Restated)	2024 (Restated)	2023	2022
		£m	£m	£m	£m	£m
Student loans	Student loan book	165,791	157,866	150,982	137,804	97,942
Receivables	Student loan HMRC receivable	317	466	268	537	314
Receivables	Student funding overpayment receivables	458	42	40	62	71
Provisions	Inherited staff liabilities	(58)	(79)	(93)	(110)	(130)
Financial liabilities	Loan commitments	(3,143)	(2,670)	(2,493)	–	–

Table 25 has been restated to include loan commitment financial liabilities for 2023-24 and 2024-25. The financial liabilities are not scored to budgets, so Skills Group's outturn has not been affected by the accounting restatement.

Operations and Infrastructure Group

Figure 32: Analysis of OIG outturn by budget class for the last five years



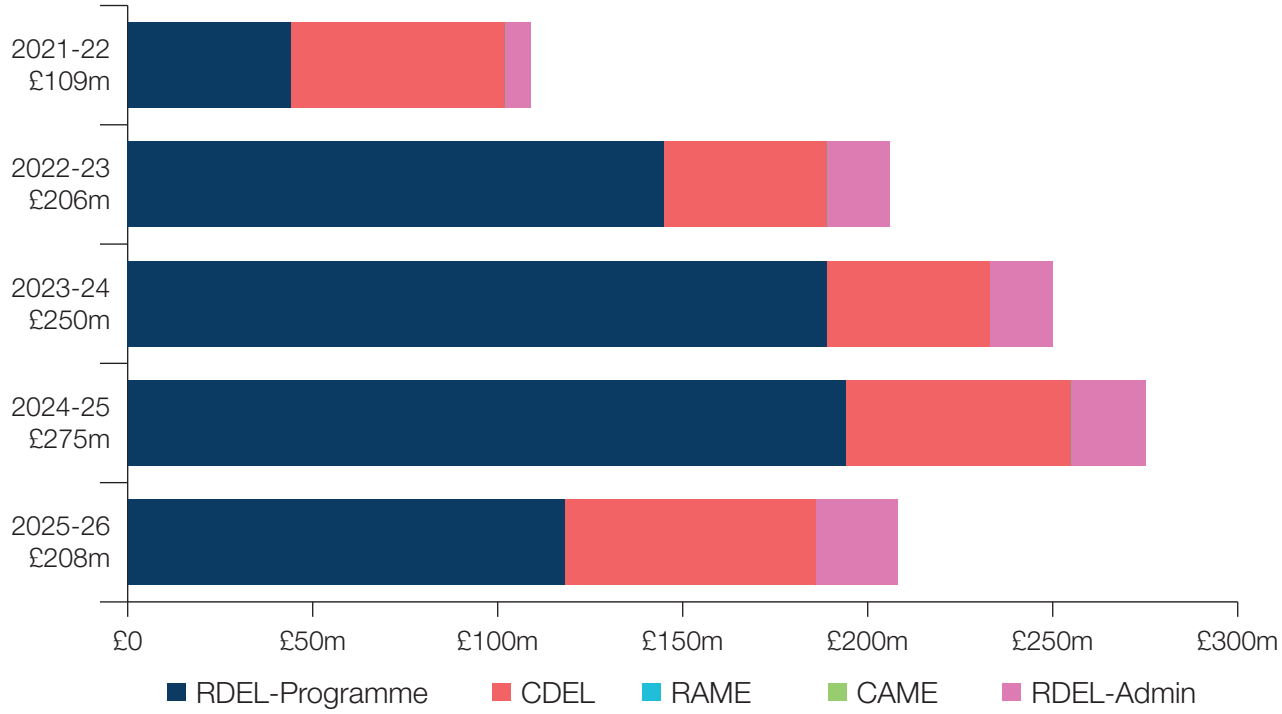
Please see note 7 for a breakdown of the current and prior years' capital policy funding (CDEL) activities.

Table 26: Significant assets and liabilities managed by OIG at the last five year ends

SoFP caption	Specific item	2026	2025	2024	2023	2022
		£m	£m	£m	£m	£m
Operational assets	Owned and leased assets	218	234	–	166	–
Education sector assets	AuC and investment property assets	–	416	–	–	–
Intangible assets	Intangible assets	154	120	–	–	–
Other loans	Further education sector loans	291	257	–	–	–
Other loans	Academy sector loans	83	94	–	–	–
Payables	PF2 imputed lease liabilities	(533)	(551)	–	–	–
Payables	Other payables – RPA claims payable	–	(158)	(127)	(85)	(92)
Insurance contract liabilities	Insurance contract liabilities (net)	(307)	–	–	–	–
Provisions	RPA provision	–	(75)	(40)	(104)	(44)

Regions Group

Figure 33: Analysis of Regions Group outturn by budget class for the last five years



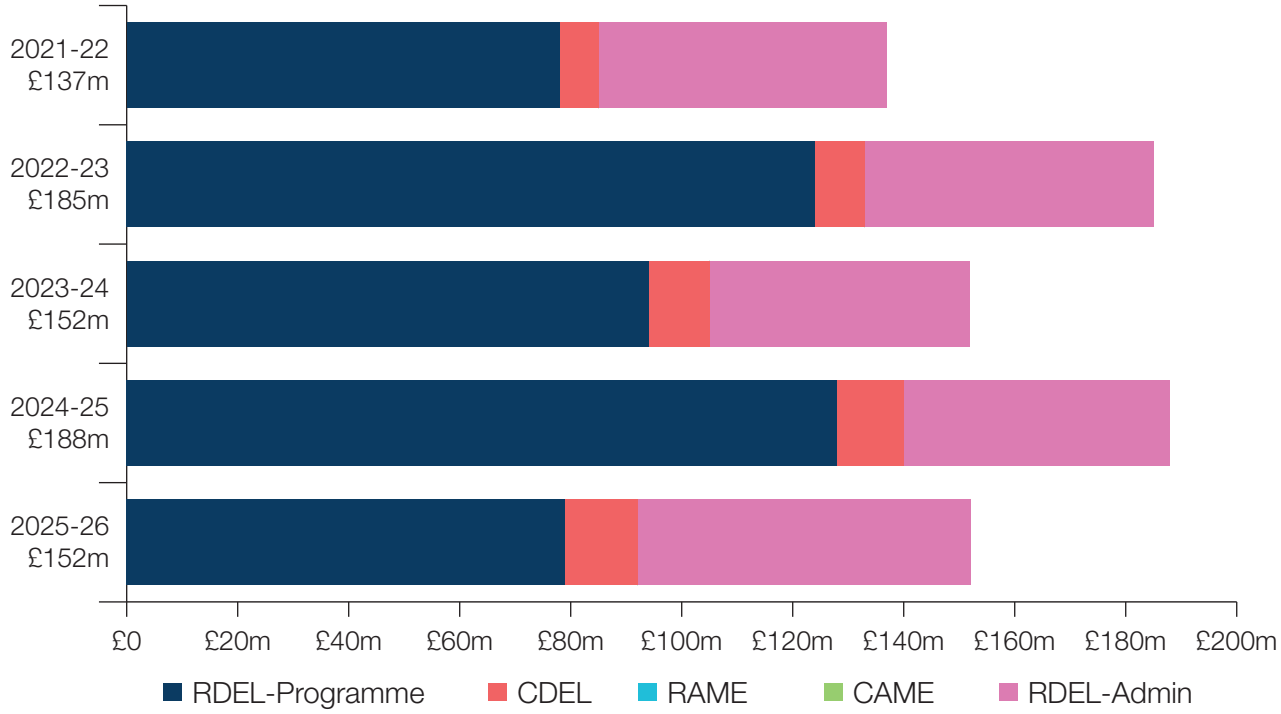
Please see note 7 for a breakdown of the current and prior years' policy funding activities.

No significant assets or liabilities are managed by this operational unit.



Strategy Group

Figure 34: Analysis of Strategy Group outturn by budget class for the last five years



Please see note 7 for a breakdown of the current and prior years' policy funding activities.

No significant assets or liabilities are managed by this operational unit.

Charities Act reporting

Section 70 of the Charities Act 2006 sets out the powers for ministers to provide financial assistance to charitable, benevolent, or philanthropic institutions, and requires payments made under this power to be reported. The spending disclosed does not represent the total amount of grant funding to these sectors, as many other grants have been paid out under alternative legislation.

The following grant was made:

US-UK Fulbright Commission

The commission, funded by the UK and US governments, offers scholarships to British and American students to undertake postgraduate study or research in the other country. Grants totalling £1.7 million (prior year: £1.6 million) supported its work.

Non-financial matters

Social matters

We have continued to integrate our diversity and inclusion actions into our PSP, reinforcing our commitment to priority issues and to a diverse and inclusive departmental culture. The current PSP remains our framework for coordinating people-related activities, including partnership with our staff networks. Employees are encouraged to volunteer to support local and national social causes, including as school governors, trustees, or supporters of local authorities. The Department works to ensure equitable opportunities for individuals from diverse backgrounds.

Respect for human rights

The Department values human rights, and equality and diversity are central components of its activities and societal objectives. This includes compliance with obligations established by the Equality Act 2010, in the context of employment, in which:

- people's ability to succeed 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 is committed to tackling modern slavery and applies processes to identify, mitigate and manage the risk in its supply chains. The Chief Commercial Officer acts as the Department's anti-slavery advocate, providing senior-level oversight and supporting cross government collaboration to share best practice. We set high standards to raise awareness among staff and address risks. The Department exceeded all eight targeted measures on modern slavery this year and has set more stretching targets for next year.

The Department has continued to use CO advice to develop tools and guidance that helps commercial delivery staff to take a proportionate, risk-based approach throughout the procurement process. Guidance is fully embedded in commercial processes, and bidder instructions are built into medium and high-risk procurements.

Commercial staff involved in procurement complete annual Chartered Institute of Procurement and Supply ethical training and modern slavery e-learning.

Anti-corruption and bribery matters

The Department has zero-tolerance for bribery and corruption. All employees complete mandatory training on the Civil Service Code, including responsibilities under the Bribery Act 2010.

The Department's standards of behaviour policy outlines expectations for conduct, including bribery, fraud and theft. In addition, a separate anti-bribery and corruption policy aligns with the GovS 013 Counter Fraud[109] functional standard.

Better regulation

The Department is committed to better regulation. Policy interventions are introduced only where necessary to safeguard children and young people and uphold educational standards. The Department recognises that compliance can impose costs on businesses and addresses these implications by embedding proportionate, evidence-based assessments into its processes. Internal and external scrutiny helps ensure new measures are targeted, effective and supported by robust evaluation.

During the year the Department's regulatory activity has covered fee setting in higher education, safeguarding reforms in early years and childcare, and measures to ensure a level playing field between state and independent schools. Although some measures add administrative requirements, they were considered necessary to strengthen protection, accountability and secure improved outcomes for children.

Annual simplification plan and reducing our administrative burden

The Department has actively engaged in the government's wider programme to reduce the total administrative burden by 25% by 2029. While safeguarding responsibilities limit the scope for reducing burdens in some areas, the Department continues to prioritise proportionate, streamlined regulation. It remains committed to explore meaningful savings while maintaining high standards.

Fire, health and safety

The Department is committed to protecting the health, safety and wellbeing of staff, contractors and others, in line with duties under the Health and Safety at Work etc. Act 1974. Effective fire, health and safety management is essential to preventing harm, supporting resilience and enabling effective service delivery.

This year we strengthened our safety culture and operational maturity to create a safer and more inclusive working environment. This includes improving the display screen equipment assessment process and working across corporate services to provide a consistent, supportive approach for workplace adjustments.

109 https://www.gov.uk/government/publications/government-functional-standard-govs-013-counter-fraud

The Health and Safety Committee continues to play a leading role in driving improvements. The inclusion of security as a key stakeholder has further strengthened our risk management approach, ensuring that safety, security and staff wellbeing remain central to our operations.

We invested in targeted training, including Legionella awareness, and maintained robust first aid, fire warden and evacuation chair training to support emergency preparedness. The online health and safety management system has been enhanced to improve compliance, reporting and risk oversight, alongside regular updates to policies and guidance.

Table 27: Accident and incident volumes for the last five years

Category	2025-26	2024-25	2023-24	2022-23	2021-22
	Number	Number	Number	Number	Number
Total employee accidents or incidents	20	16	14	18	1
Total non-employee, member of public, or detainee accidents and incidents	1	1	–	–	2
Total near misses	26	10	8	3	4
Total injuries, deaths, and dangerous occurrences	–	–	–	–	–
Total	**47**	**27**	**22**	**21**	**7**

Over the past five years, reported accidents, incidents and near misses rose sharply. This year is driven by a significant increase in near miss reporting, indicating a stronger safety culture, with staff more alert to hazards and more willing to report them early.

The growth in near miss reports is helping identify risks earlier and take preventative action. It also provides better insight to review policies, target interventions and strengthen controls. Despite higher reporting, there were no injuries, deaths or dangerous occurrences this year, showing that hazards are being managed more effectively.

We are using this data to enhance organisational learning and improve our health and safety approach.

Personal data breaches

All government departments must report personal data breaches to the ICO, in accordance with the disclosure format. These disclosures cover the Department and its Agencies since the Department's Data Protection team is responsible for these bodies.

A 'personal data breach' is defined as a security breach leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data transmitted, stored or otherwise processed. Where a breach is likely to pose a risk to data subjects, it must be reported to the ICO within 72 hours of discovery.

The three personal data breaches formally notified to the ICO this year are summarised below. For each of the three breaches reported, the ICO decided that no regulatory action was required.

Table 28: Summary of personal data breaches reported to the ICO for the last five years (Department and Agencies only)

Incident type	2025-26	2024-25	2023-24	2022-23	2021-22
	Number	Number	Number	Number	Number
Data emailed to incorrect recipient	1	2	2	–	1
Data posted or faxed to incorrect recipient	–	–	1	–	1
Loss or theft of paperwork or data left in insecure location	–	–	1	–	–
Other non-cyber incidents	–	–	1	–	–
Personal data incorrectly shared	1	3	2	–	–
Data of wrong data subject shown in client portal	–	–	1	–	–
Lost or theft of device containing personal data	–	–	–	1	–
Ransomware	1	–	–	1	–
Processing personal data on a non-departmental device	–	–	–	–	1
Other	–	–	–	–	4
Total	**3**	**5**	**8**	**2**	**7**
Number of data subjects potentially affected	**1,510**	**84,532**	**20**	**54,858**	**1,648**

Other data breaches

Figure 35 summarises the total number of personal data breaches reported this year. Incidents which do not fall within the criteria for reporting to the 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.

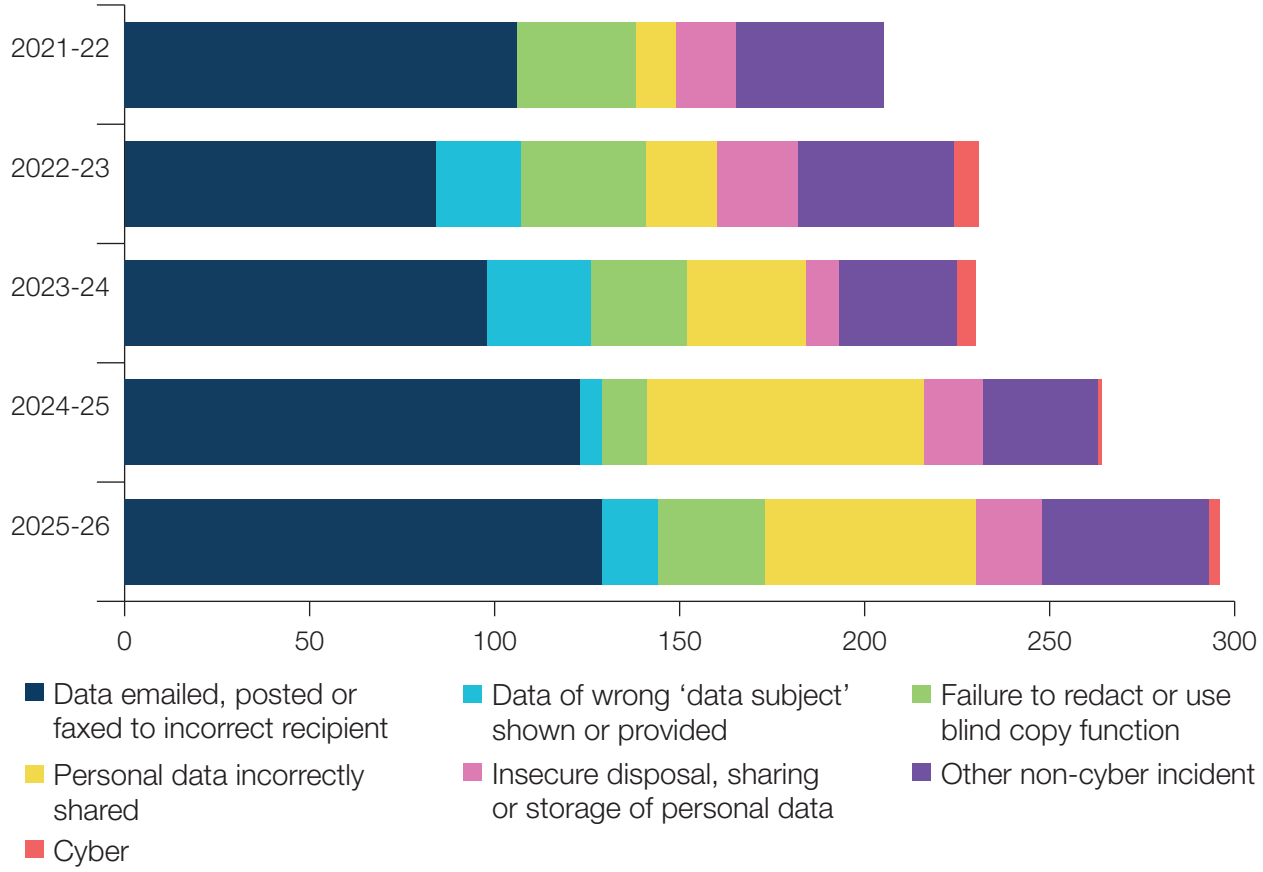


This year, the most common personal data breach involved emails sent to the wrong recipient. Other incidents included the incorrect sharing of personal data and failures to redact information properly or use BCC when sending emails or meeting invites.

The data protection team provides ongoing training and guidance to reduce breaches, including remedial training for individuals responsible for breaches, alongside further guidance to help prevent recurrence.

The Department's Agencies and NDPBs also report personal data related incidents in their own ARAs as required.

Figure 35: Personal data breaches for the last five years (Department and Agencies only)



As shown in the chart, email related breaches and incorrect sharing of personal data continue to account for most breaches in the Department. The recent introduction of mandatory document labelling, alongside data loss prevention policies and training, should reduce incidents in future. We are also exploring Microsoft Purview capabilities to further strengthen technical controls and prompts.

Departmental correspondence

Government departments have a target to answer 95% of correspondence within 20 working days. The Department has set itself a stricter internal target of replying to 95% of 'treat official' correspondence within 15 working days and ministerial correspondence within 18 working days.

Performance on treat official correspondence fell slightly, with responses to the Department's internal deadline of 15 days (from 79% to 76%) and within 20 days (from 92% to 90%).

The proportion of ministerial correspondence answered on time also fell year on year (53% within 18 days and 60% within 20 days). This decline coincided with a 23% increase in volumes, a demanding policy agenda at the start of the Parliament, and a substantial legislative reform programme. Actions have been identified to reduce the backlog and restore performance. In addition, the Department identified a discrepancy with previously reported figures for 2023-24 and 2024-25 and has updated for the correct values.

Freedom of information requests have a statutory deadline of 20 working days as governed by ICO. Whilst the Department answered 83% on time, down 3 percentage points from the previous year, there was a 6.9% increase in volumes.

Although we did not meet our targets this year, we are strengthening actions to address performance, including using AI and new systems to increase efficiency. The Department is also working with other government departments through the cross-Whitehall Correspondence Review, to identify lessons that will help improve performance.

Table 29: Treat official correspondence for the last five years

	2025-26	2024-25	2023-24	2022-23	2021-22
Internal 15-day deadline					
Number	18,003	20,559	18,264	21,463	22,977
Deadline met	76%	79%	82%	69%	51%
20-day deadline					
Deadline met	90%	92%	91%	80%	64%

Table 30: Ministerial correspondence for the last five years

	2025-26	2024-25 (Restated)	2023-24 (Restated)	2022-23	2021-22
Internal 18-day deadline					
Number	10,450	8,498	7,825	9,795	10,014
Deadline met	53%	83%	73%	53%	71%
20-day deadline					
Deadline met	60%	88%	77%	58%	74%

Table 31: Freedom of information requests for the last five years

	2025-26	2024-25	2023-24	2022-23	2021-22
20-day deadline					
Number	3,014	2,820	2,835	2,281	2,237
Deadline met	83%	86%	75%	79%	73%

Communications, publicity and advertising

The Department's communications team continues to play an important role in delivery, building public trust and supporting change, in line with the Government Communication Service's core objectives:

- changing the attitudes and behaviours of parents, pupils and students, adult learners, employers, teachers, and the future workforce across schools, colleges and childcare settings
- delivering effective public services and meeting the Department's responsibilities as a department of state
- protecting and enhancing the profile of the Department's work, so that teachers, students and everyone involved in education comes together to make the most of the public funding available
- explaining policies clearly through all modern channels and methods of communication
- informing and engaging our staff and partners so that we work together to deliver the best service to those we serve

Communications activity is delivered in-house at no extra cost, as part of cross-government campaigns, or at low cost with partners. The communications directorate works throughout the Department and with CO to deliver funded marketing campaigns in areas such as the recruitment of teachers into the profession, enabling the government's agenda.

Table 32: Communications Directorate's staffing and spend for the last five years

	2025-26	2024-25	2023-24	2022-23	2021-22
Number of staff	72	67	73	75	75
Spend on activity (£000)	243	309	507	332	288

Complaints policy

The Department publishes its complaints procedure policy and guidance,[110] including how to complain about a school[111] and how the complaint will be handled.

110 https://www.gov.uk/government/organisations/department-for-education/about/complaints-procedure
111 https://www.gov.uk/complain-to-dfe

Complaints to the Parliamentary Ombudsman

The Parliamentary and Health Service Ombudsman considers complaints about services provided by the department or organisations acting on its behalf, where the body is within its jurisdiction and the complaint has been referred by an MP. Complaints about local authorities and state-funded schools are usually outside the Ombudsman's jurisdiction.

Table 33 presents extracts from published Ombudsman reports, with the latest available data being 2024-25.[112] The years in the table refer to the financial years the Ombudsman reports on. As complaints may be resolved in a different year than when first raised, the number of complaints accepted for review may not match the total investigation outcomes.

Table 33: Complaints reported by the Ombudsman

	2024-25	2023-24	2022-23	2021-22
	Number	Number	Number	Number
Complaints received	246	249	211	212
Complaints accepted for investigation	4	2	5	5
Detailed investigations reported on by Ombudsman:				
upheld in full	1	3	2	1
upheld in part	1	1	2	2
not upheld	–	–	–	1
Ombudsman recommendations:				
complied with	4	2	2	5
not complied with	–	–	–	–

Effectiveness of whistleblowing arrangements

The Department has robust whistleblowing processes and procedures in place, including a dedicated mailbox to ensure cases are monitored and progressed without delay.

The Department updated its whistleblowing policy in October 2025 to simplify the process, ensure feedback is sought from those who raise concerns and clarify the roles of those involved. The revised policy also sets out the relevant legislation and broadly aligns with Government People Group's recommended practice.

This year, the Department appointed three new nominated officers, bringing the total to seven, to provide impartial advice and support those considering or raising a concern. Eleven whistleblowing cases were raised during the year, of which four remained under investigation as at 31 March 2026.

112 https://www.ombudsman.org.uk/organisations-we-investigate/what-our-data-tells-us/uk-government-complaints

Annex B – Additional sustainability reporting

This section provides additional information about the Department's sustainability performance.

Greenhouse gas emissions, waste and water use

Table 34 shows the total emissions, waste and water use for the financial year.

Table 34: Emissions, waste and water use for the financial year for the corporate body

	2025-26	2024-25
	Quantity	Quantity
Emissions (tCO_2e)		
Scope 1	608	561
Scope 2	2,024	2,220
Business travel (scope 3)	1,891	1,967
ICT (scope 3)	1,023	N/A
Total emissions	**5,546**	**4,748**
Energy (kWh)		
Scope 1 (gas)	3,325,562	2,842,440
Scope 2 (electricity and district heat)	11,437,549	10,771,652
Total energy	**14,763,111**	**13,614,092**
Waste (tonnes)		
Recycling	349	245
Anaerobic digestion	29	32
Composting	–	–
Incineration with energy recovery	128	98
Landfill	–	–
ICT recycled	19	N/A
ICT reused	16	N/A
ICT landfill	–	N/A
Total waste	**541**	**375**
Water (m^3)		
Consumption	38,597	36,200

Taskforce on climate-related financial disclosures

Physical risks

Table 35 shows that flooding and indoor overheating pose significant risks to education. Their impacts on our responsibilities differ; flooding is primarily a financial risk, whereas overheating is mainly a delivery risk.

Table 35: Overview of the potential impacts of physical risks

Financial impacts	Service impacts	Wider impacts
Flooding		
• damage to buildings • damage to equipment or fixtures • alternative accommodation (where closures exceed 5 days) • avoidable injury or health effects	• building closures • blocked building access • partial access (playgrounds, playing fields or car parks) • wider-area flooding (homes, transport links or utilities)	• lost productivity in the local economy (parents taking time off work for school closures) • lost lifetime earnings for pupils missing school • mental health impacts on children affected by severe flooding at home
Extreme overheating events (acute)		
• subsidence • damage to green infrastructure • avoidable health effects	• acute cognitive performance loss • classroom relocations • inconsistent exam conditions • building closures	• lost productivity in the local economy (parents taking time off work for school closures) • lost lifetime earnings for pupils' lost learning
Chronic overheating		
N/A	• cumulative loss of learning (from chronic cognitive performance impacts) • teacher performance	• wider economic impacts of loss of learning across education • lost lifetime earnings for pupils' lost learning

Table 36 shows schools at risk from different types of flooding. The totals for each school type in the table are greater than 100% because the high-risk zone is inside the medium-risk zone, and the medium-risk zone is inside the low-risk zone.

Table 36: Percentage of schools at risk from flooding (estimates)

School type	High risk	Medium risk	Low risk
Surface water flooding			
Primary school buildings	20%	37%	66%
Primary school sites	33%	53%	80%
Secondary school buildings	38%	59%	83%
Secondary school sites	59%	76%	89%
River and sea flooding			
Primary school buildings	1%	4%	7%
Primary school sites	3%	7%	10%
Secondary school buildings	1%	4%	7%
Secondary school sites	6%	10%	13%

Table 37 and Table 38 indicate the short, medium and long-term risk of overheating.

Table 37: Extreme indoor overheating events per year (estimate)

Global warming scenario	Average number of days per year with indoor temperatures above 35°C
+1.2°C (baseline year 2019)	1.7
+2°C	2.9
+4°C	7.8

Table 38: Learning days lost to chronic overheating per year (estimate)

Global warming scenario	Estimated learning days lost per year to chronic indoor overheating
+1.2°C (baseline year 2019)	6.7
+2°C	8.2
+4°C	11.4

Transition risks

Table 39 shows the potential impacts of transition risks.

Table 39: Overview of the potential impacts of transition risks

Financial impacts	Service impacts	Wider impacts
Transition to net zero		
• upfront cost of heat decarbonisation (replacing gas boilers)	• classrooms or entire buildings out of use during upgrades	• financial pressure impedes responsible bodies' ability to deliver services
Adaptation to flooding and overheating		
• investment in flood risk reduction (sustainable drainage systems, flood barriers, green infrastructure) • cost of overheating risk reduction (shading and mechanical ventilation)	• classrooms or entire buildings out of use during upgrades	• financial pressure impedes responsible bodies' ability to deliver services

Annex C – Student loans

This annex contains breakdowns of the overall student loan disclosures from note 15 analysed across the different loan portfolios.

Student loan plans

The Department's student loans are 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 ALLs
- Plan 3 loans – loans for postgraduate master's courses starting on or after 1 August 2016 and postgraduate doctoral studies 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 ALLs

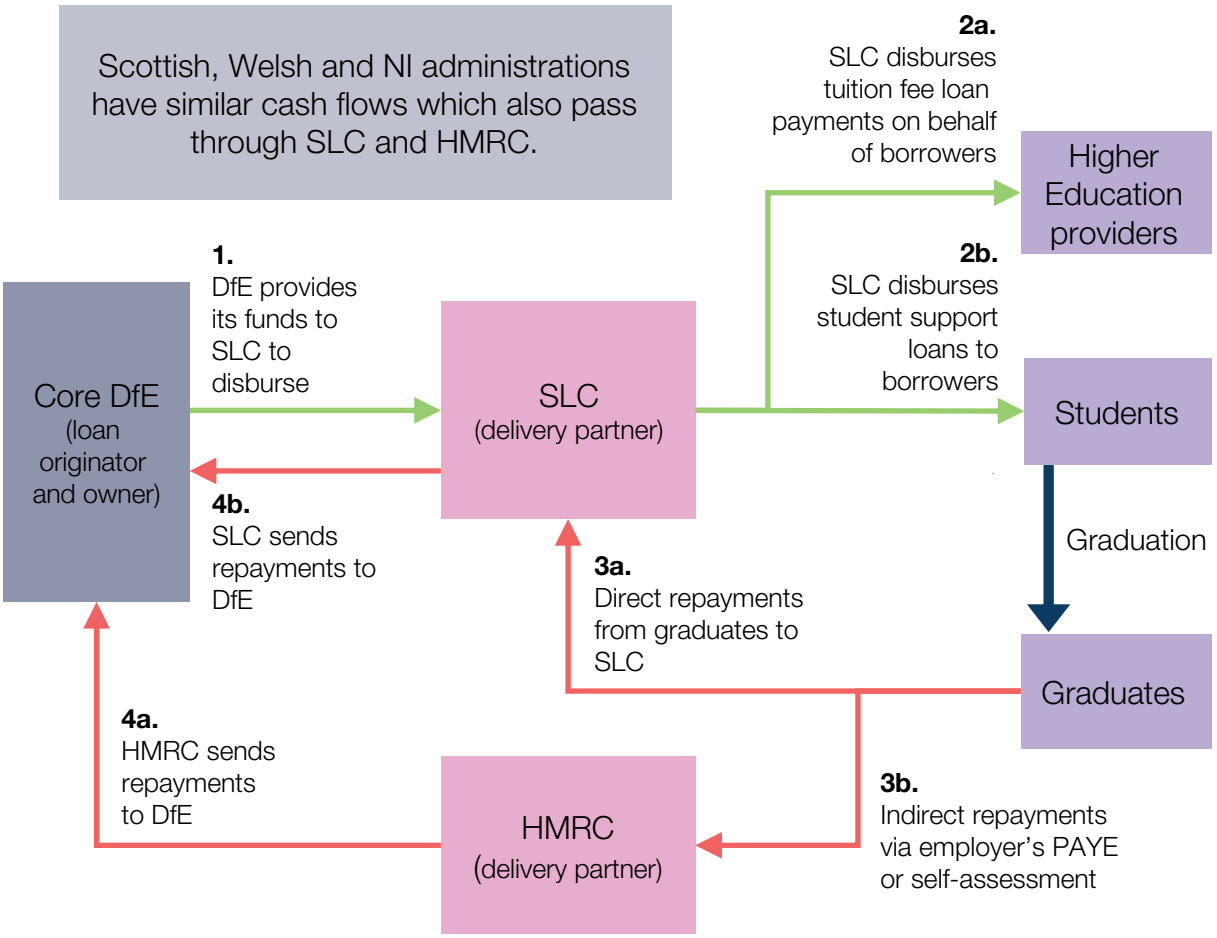
Plan 2 will continue to be a live plan until existing borrowers who started their undergraduate courses on Plan 2 finish their courses.

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 36: Student loan cash flows analysed through a loan's lifecycle



Student loan cash flows and accounting are complex, involving multiple public sector bodies. The graphic above shows the cash flows generated by loan origination (cash flows 1 and 2) and loan repayment (cash flows 3 and 4) of student loans between the Department (loan owner), SLC (loan administrator), HMRC (repayment collector), students and higher education providers.

SLC administers student loans on behalf of the Department, distributing tuition fees to higher education providers (on behalf of borrowers) and student support loans directly to borrowers. SLC also administers student loan portfolios for the devolved administrations in Scotland, Wales and Northern Ireland. Student loans originated by the devolved administrations which are administered by SLC are not included in this ARA, they are owned and recognised by the respective administrations.

Repayments are primarily collected by HMRC through the PAYE (via employers) and self-assessment (individuals) tax system. These repayments are then passed on to the Department. SLC also collects voluntary repayments from borrowers, including those living overseas. Acting as loan servicer, SLC forwards the direct repayments 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 treatment described here does not affect how student loans are accounted for; annual fair value movements continue to be fully recognised as a gain or loss in SoCNE in the year incurred. The spending control, agreed with HMT, operates through the application of a 'management charge' if fair value losses exceed limits agreed with HMT. When levied, the management charge does not represent additional costs to the Department. Instead, the charge changes which budget types the fair value loss is scored to.

The Department and HMT have agreed separate thresholds applicable to the initial fair value loss on loan origination and the annual fair value movement for existing loans. The initial fair value loss exceeded the spending control threshold in 2020-21 and 2021-22 which resulted in the management charge being levied in those years.

Under the agreement, fair value losses in excess of the agreed thresholds are recognised in RAME instead of ringfenced RDEL. Following the initial RDEL-RAME switch, the value is unwound over thirty years through non-ringfenced RDEL, starting the year after the switch. This process has no net effect on the Department's reported outturn in any given year since the balances sum to zero, though there are effects on the separate RAME and RDEL outturn balances.

Carrying values of student loans

The following tables provide additional analysis of the headline movements in carrying value shown in note 15.1 across the different loan plans.

2026

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
	£m	£m	£m	£m	£m
Balance at 1 April 2025	11,557	128,886	6,147	11,276	157,866
New loans issued (fair value)	–	2,793	780	10,628	14,201
Repayments	(1,247)	(3,346)	(505)	(66)	(5,164)
Cancelled:					
in-year	(63)	(178)	(6)	(1)	(248)
classification correction	–	(694)	(47)	(93)	(834)
Fair value (loss) or gain	502	903	68	(1,503)	(30)
Balance at 31 March 2026	**10,749**	**128,364**	**6,437**	**20,241**	**165,791**
Disclosed as					
Current assets	1,306	4,037	592	111	6,046
Non-current assets	9,443	124,327	5,845	20,130	159,745
Total	**10,749**	**128,364**	**6,437**	**20,241**	**165,791**

2025

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
	£m	£m	£m	£m	£m
Balance at 1 April 2024	13,164	127,791	6,252	3,775	150,982
New loans issued (fair value)	-	6,561	743	7,236	14,540
Repayments	(1,477)	(2,870)	(441)	(42)	(4,830)
Cancelled – in-year	(103)	(200)	(6)	(1)	(310)
Fair value (loss) or gain	(27)	(2,396)	(401)	308	(2,516)
Balance at 31 March 2025	**11,557**	**128,886**	**6,147**	**11,276**	**157,866**
Disclosed as					
Current assets	1,384	3,472	580	50	5,486
Non-current assets	10,173	125,414	5,567	11,226	152,380
Total	**11,557**	**128,886**	**6,147**	**11,276**	**157,866**

The 2025 new loans issued and fair value movement balances have been re-presented by transferring the day 1 fair value loss from the annual fair value loss to new loans as per IFRS 9. This approach aligns better with the standard's requirement to value new financial assets at fair value not transaction (cash) value.

Figure 37: Current year student loan carrying value movements

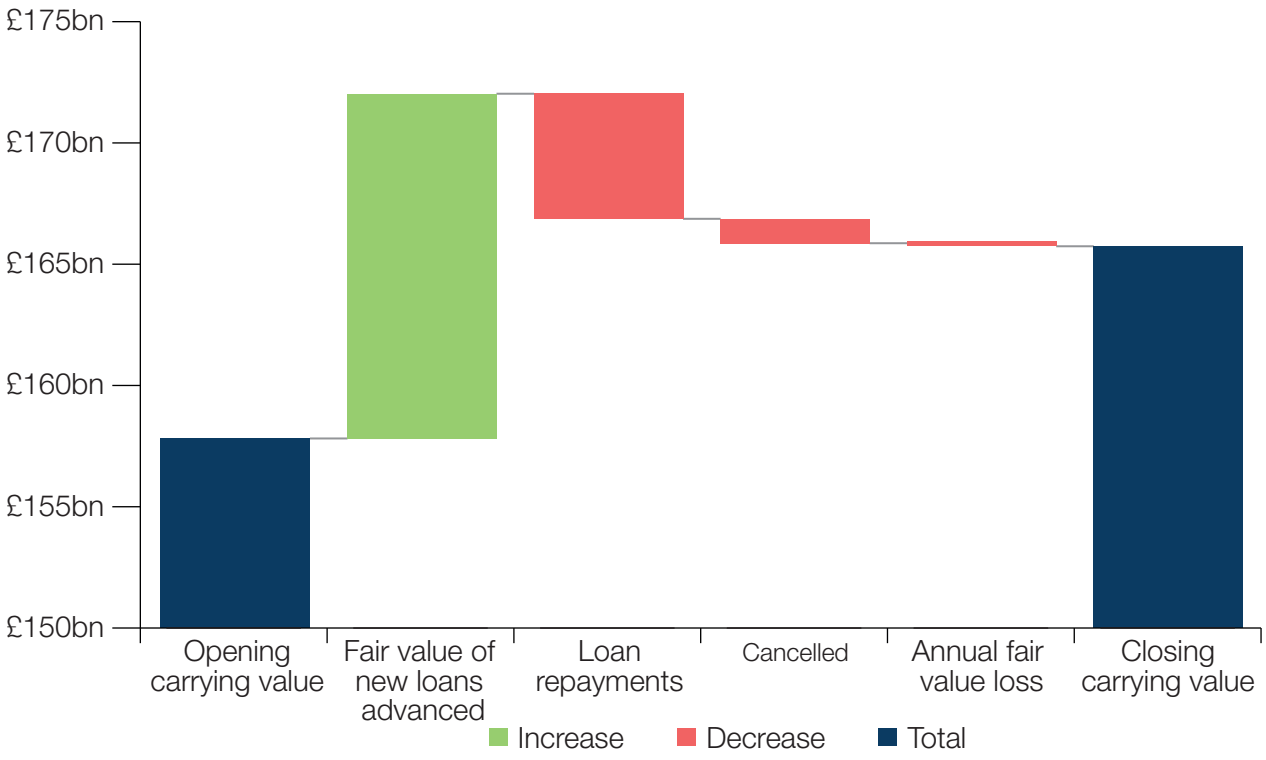
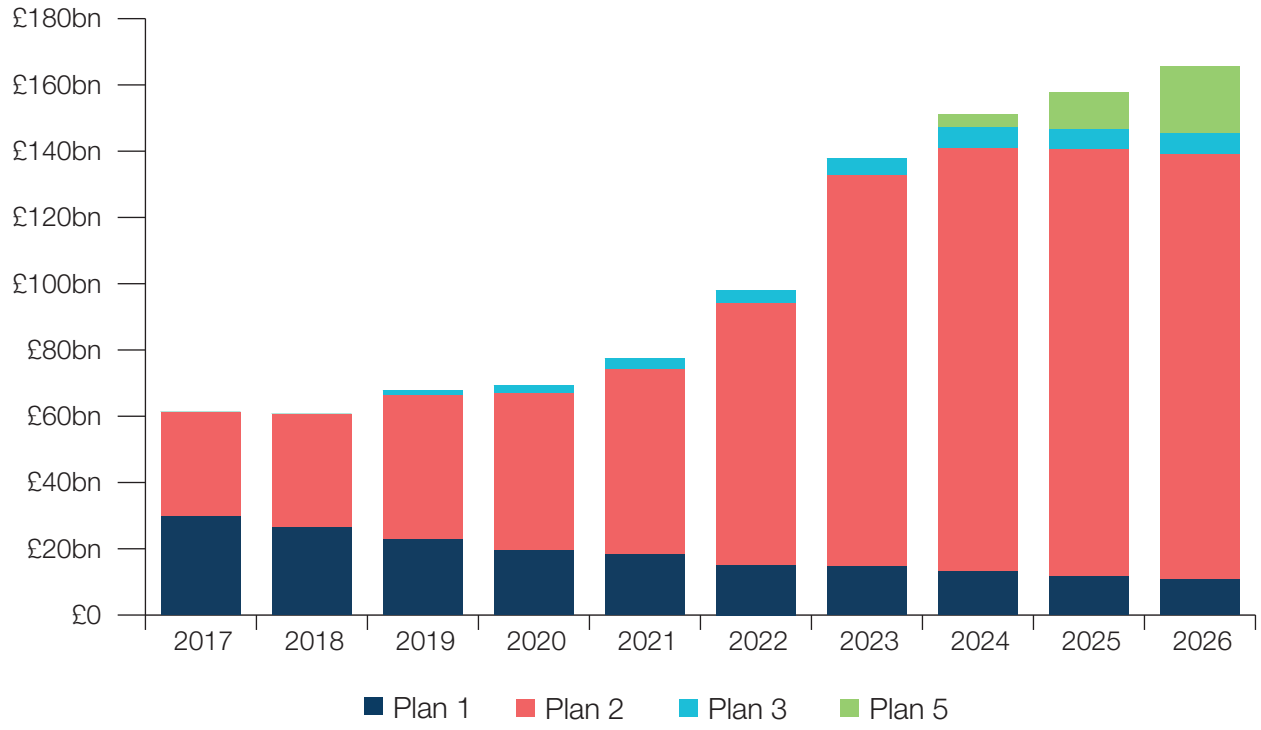


Figure 38: Student loan carrying values analysed across plans for the last ten years





Face values of student loans

The following tables provide additional analysis of the headline movements in face value shown in note 15.1 across the different loan plans.

2026

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
	£m	£m	£m	£m	£m
Balance at 1 April 2025	27,830	215,810	6,612	14,383	264,635
New loans issued (cash value)	–	4,542	809	15,836	21,187
Interest charged	978	11,322	479	798	13,577
Repayments	(1,247)	(3,346)	(505)	(66)	(5,164)
Cancelled:					
in-year	(63)	(178)	(6)	(1)	(248)
classification correction	–	(694)	(47)	(93)	(834)
Balance at 31 March 2026	**27,498**	**227,456**	**7,342**	**30,857**	**293,153**

2025

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
	£m	£m	£m	£m	£m
Balance at 1 April 2024	28,054	196,438	5,823	3,733	234,048
New loans issued (cash value)	–	9,671	757	10,234	20,662
Interest charged	1,356	12,771	479	459	15,065
Repayments	(1,477)	(2,870)	(441)	(42)	(4,830)
Cancelled – in-year	(103)	(200)	(6)	(1)	(310)
Balance at 31 March 2025	**27,830**	**215,810**	**6,612**	**14,383**	**264,635**

Figure 39: Current year student loan face value movements

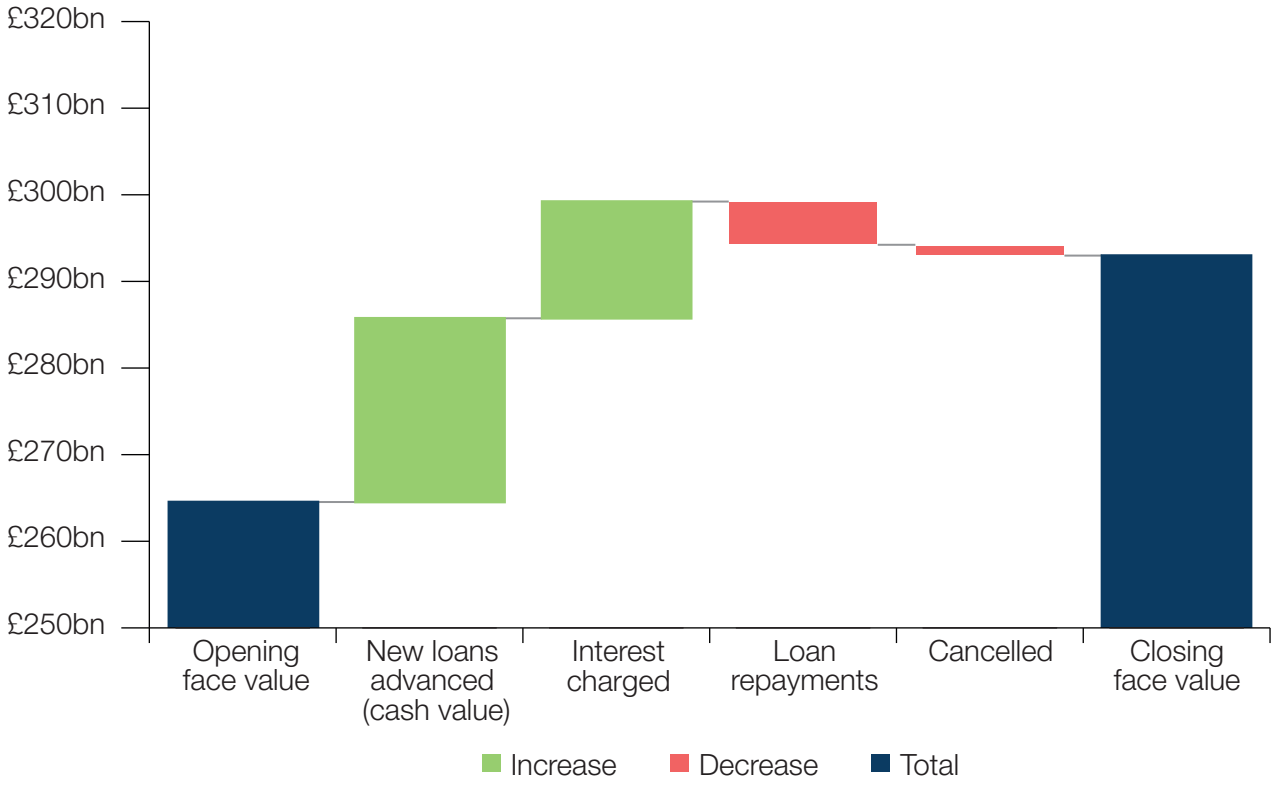
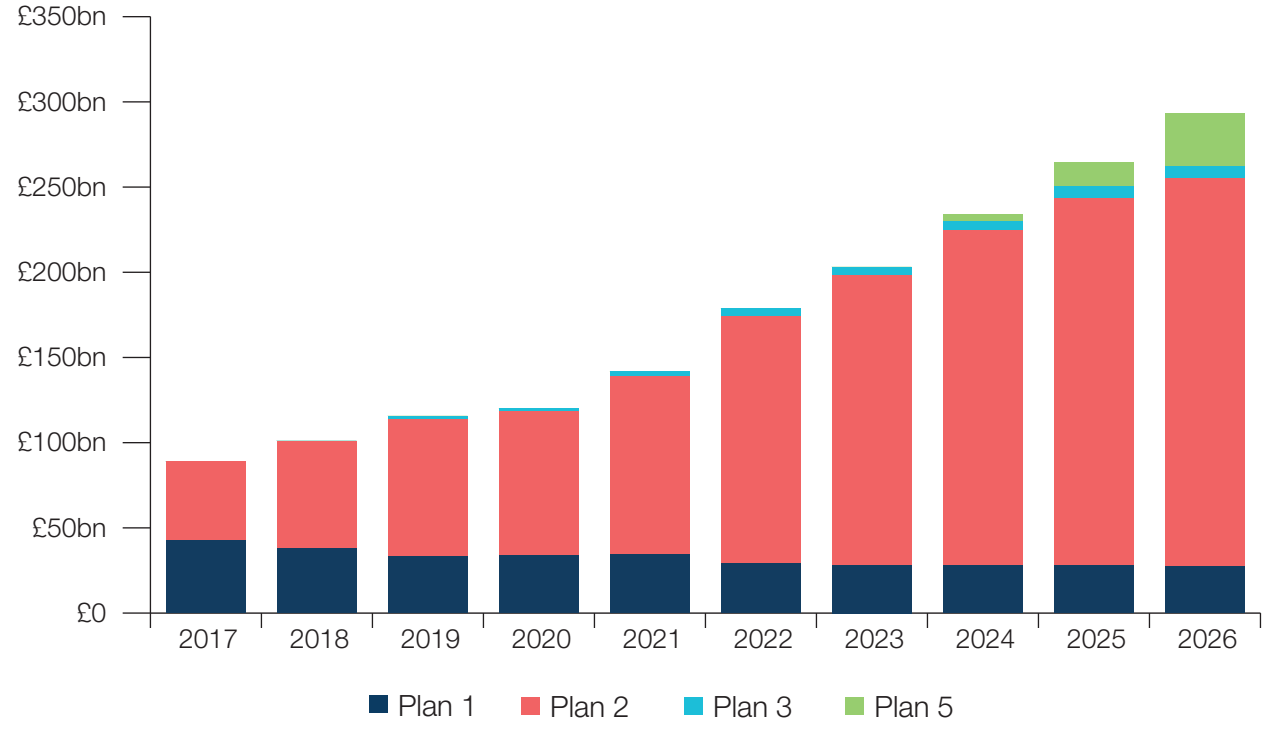


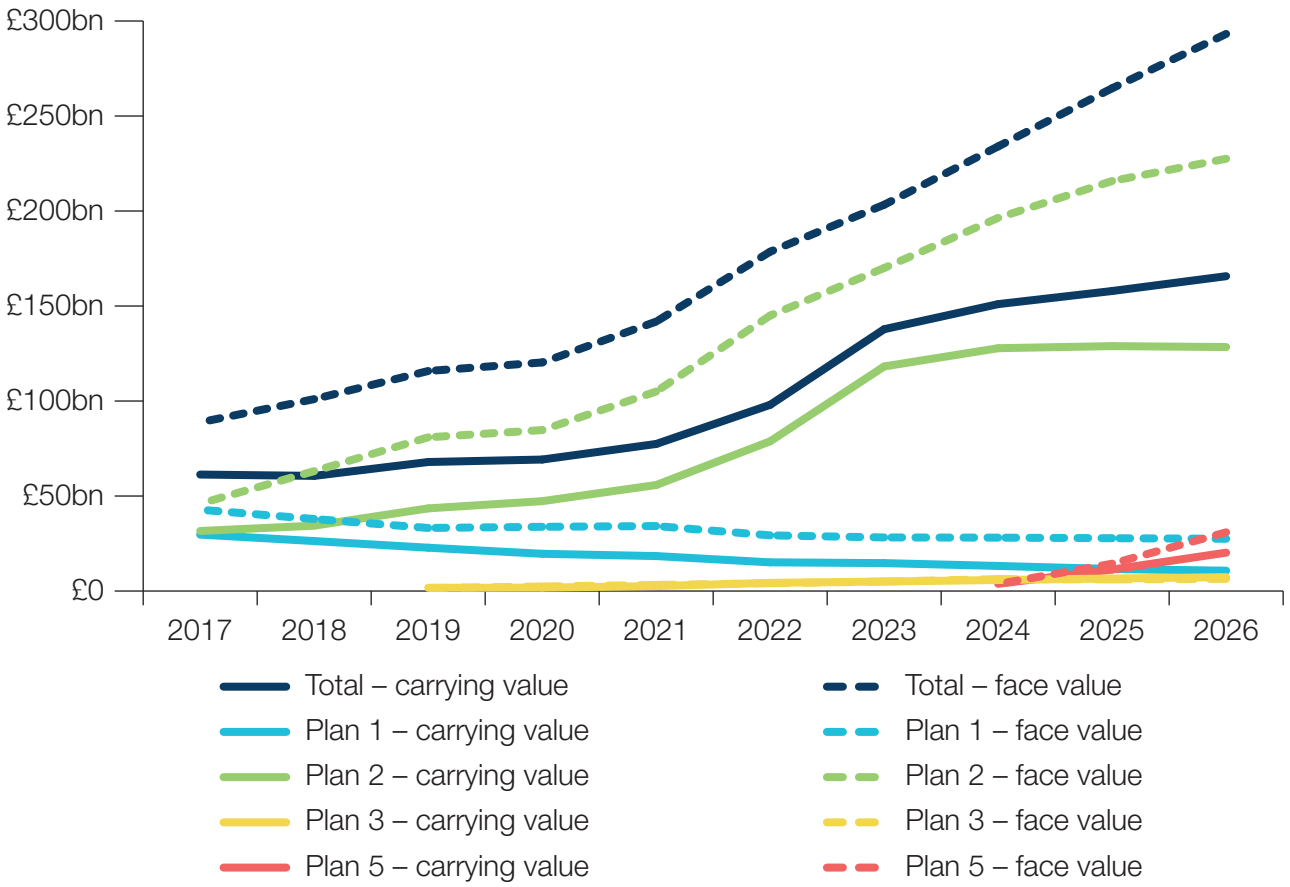
Figure 40: Student loan face values analysed across plans for the last ten years



Comparison of carrying value to face value

Figure 41 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 ten years. Note 15 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 continue to issue a small volume of new loans to existing Plan 2 borrowers. Plan 2's carrying and face values will start to fall in the near future as it moves fully into run-off.

Figure 41: Comparison of student loan carrying values to face values across the last ten years



Fair value movements

The following tables analyse the headline fair value changes shown in note 15.2 across the different loan plans. The sign convention for losses and gains is consistent with the previous section, losses are positive numbers and gains are negative.

2026

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
	£m	£m	£m	£m	£m
Fair value loss on loan issue	–	1,749	29	5,208	6,986
Annual revaluation fair value loss or (gain)	(502)	(903)	(68)	1,503	30
Overall fair value loss or (gain)	**(502)**	**846**	**(39)**	**6,711**	**7,016**
The annual revaluation fair value loss can be disaggregated into the following elements:					
cancellations – in-year	(63)	(178)	(6)	(1)	(248)
impact of changes in assumptions and modelling	–	117	(91)	(36)	(10)
operational costs	(16)	(66)	(1)	66	(17)
discount rate change	(32)	(367)	(16)	(29)	(444)
unwinding of the discount	607	6,925	162	244	7,938
capitalised interest	(978)	(11,322)	(479)	(798)	(13,577)
release of deferred fair value gains	–	–	(30)	–	(30)
residual fair value movement	(20)	3,988	393	2,057	6,418

2025

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
	£m	£m	£m	£m	£m
Fair value loss on loan issue	–	3,110	14	2,998	6,122
Annual revaluation fair value loss or (gain)	27	2,396	401	(308)	2,516
Overall fair value loss or (gain)	**27**	**5,506**	**415**	**2,690**	**8,638**
The annual revaluation fair value loss can be disaggregated into the following elements:					
cancellations – in-year	(103)	(200)	(6)	(1)	(310)
impact of changes in assumptions and modelling	–	(450)	(147)	983	386
operational costs	(11)	25	1	44	59
discount rate change	(23)	(241)	(10)	(6)	(280)
unwinding of the discount	1,060	9,540	213	273	11,086
capitalised interest	(1,356)	(12,771)	(479)	(459)	(15,065)
release of deferred fair value gains	–	–	(23)	–	(23)
residual fair value movement	460	6,493	852	(1,142)	6,663

Sensitivity analysis

The tables provide additional analysis of the headline sensitivities shown in note 15.5 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%

2026

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
	£m	£m	£m	£m	£m
Year end carrying value	10,749	128,364	6,437	20,241	165,791
Impact on carrying value from					
Scenario 1	690	8,707	594	871	10,862
Scenario 2	(667)	(8,657)	518	(837)	(9,643)
Scenario 3	856	11,168	703	1,252	13,979
Scenario 4	(521)	(6,508)	627	(486)	(6,888)

2025

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
	£m	£m	£m	£m	£m
Year end carrying value	11,557	128,886	6,147	11,276	157,866
Impact on carrying value from					
Scenario 1	757	8,574	991	323	10,645
Scenario 2	(644)	(8,907)	978	(482)	(9,055)
Scenario 3	937	11,088	1,100	577	13,702
Scenario 4	(493)	(6,788)	1,088	(256)	(6,449)

Single factors

RPI

2026

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
Value applied in year end valuation	4.1%	4.1%	4.1%	4.1%	
	£m	£m	£m	£m	£m
Year end carrying value	10,749	128,364	6,437	20,241	165,791
Impact on carrying value from					
An increase in RPI of 1%	(788)	(17,028)	334	(3,066)	(20,548)
A decrease in RPI of 1%	292	21,196	814	2,985	25,287
An increase in RPI of 2%	(1,617)	(33,169)	101	(6,359)	(41,044)
A decrease in RPI of 2%	1,264	41,374	1,060	5,187	48,885

2025

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
Value applied in year end valuation	3.45%	3.45%	3.45%	3.45%	
	£m	£m	£m	£m	£m
Year end carrying value	11,557	128,886	6,147	11,276	157,866
Impact on carrying value from					
An increase in RPI of 1%	(867)	(21,037)	914	(1,646)	(22,636)
A decrease in RPI of 1%	1,167	24,013	1,157	1,442	27,779
An increase in RPI of 2%	(1,856)	(40,654)	779	(3,446)	(45,177)
A decrease in RPI of 2%	2,238	46,653	1,264	2,478	52,633

Loan repayment threshold

2026

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
Value applied in year end valuation	£26,065	£28,470	£21,000	£25,000	
	£m	£m	£m	£m	£m
Year end carrying value	10,749	128,364	6,437	20,241	165,791
Impact on carrying value from					
An increase in the threshold by £1,000	(227)	(1,930)	504	(130)	(1,783)
A decrease in the threshold by £1,000	416	4,434	635	580	6,065

2025

	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	11,557	128,886	6,147	11,276	157,866
Impact on carrying value from					
An increase in the threshold by £1,000	(223)	(2,202)	1,039	(111)	(1,497)
A decrease in the threshold by £1,000	471	4,131	1,038	224	5,864

Budgetary performance (outturn)

The following tables provide an analysis of the current year budgetary outturn for student loans across the different plans and budget categories. Positive numbers represent costs or losses, whereas negative numbers indicate benefits or gains. The tables begin with the total outturn reported for student loans broken down by activity type and then by budget class. Follow-on tables then provide further analysis of each activity type by budget class.

2026

Summary values

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
	£m	£m	£m	£m	£m
Outturn by activity type					
Net lending	(206)	12,696	789	16,569	29,848
Fair value loss on loan origination	–	1,749	29	5,208	6,986
Annual revaluation fair value loss or (gain)	(502)	(903)	(68)	1,503	30
Other losses	2	6	1	–	9
Total	**(706)**	**13,548**	**751**	**23,280**	**36,873**
Outturn by budget class					
CAME	(269)	12,518	783	16,568	29,600
RAME	(401)	(4,666)	(377)	(183)	(5,627)
RDEL	(36)	5,696	345	6,895	12,900
Total	**(706)**	**13,548**	**751**	**23,280**	**36,873**



Further analysis

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
	£m	£m	£m	£m	£m
Net lending					
CAME					
Loan advances (cash value)	–	4,542	809	15,836	21,187
Repayments	(1,247)	(3,346)	(505)	(66)	(5,164)
Capitalised interest	978	11,322	479	798	13,577
Cancelled – In-year	63	178	6	1	248
Total	**(206)**	**12,696**	**789**	**16,569**	**29,848**
Fair value loss on loan origination					
RDEL					
Impact of policy changes	–	–	–	–	–
Residual value change	–	1,615	27	4,654	6,296
RAME					
Impact of discount rate change	–	134	2	554	690
Sub-total	**–**	**1,749**	**29**	**5,208**	**6,986**
Annual revaluation fair value loss or (gain)					
RDEL					
Modelling differences	–	159	(74)	118	203
Operational costs movement	(16)	(66)	(1)	66	(17)
Residual value change	(20)	3,988	393	2,057	6,418
RAME					
Unwinding the discount	607	6,925	162	244	7,938
Capitalised interest	(978)	(11,322)	(479)	(798)	(13,577)
Release of deferred fair value gains	–	–	(30)	–	(30)
Impact of discount rate change	(32)	(367)	(16)	(29)	(444)
Modelling differences	–	(42)	(17)	(154)	(213)
CAME					
Cancelled – in-year	(63)	(178)	(6)	(1)	(248)
Sub-total	**(502)**	**(903)**	**(68)**	**1,503**	**30**
Total fair value loss or (gain)	**(502)**	**846**	**(39)**	**6,711**	**7,016**
Other losses	**2**	**6**	**1**	**–**	**9**

2025

Summary values

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
	£m	£m	£m	£m	£m
Outturn by activity type					
Net lending	(18)	19,772	801	10,652	31,207
Fair value loss on loan origination	–	3,110	14	2,998	6,122
Annual revaluation fair value loss or (gain)	27	2,396	401	(308)	2,516
Total	**9**	**25,278**	**1,216**	**13,342**	**39,845**
Outturn by budget class					
CAME	(121)	19,572	795	10,651	30,897
RAME	(319)	(3,256)	(316)	66	(3,825)
RDEL	449	8,962	737	2,625	12,773
Total	**9**	**25,278**	**1,216**	**13,342**	**39,845**

Further analysis

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
	£m	£m	£m	£m	£m
Net lending					
CAME					
Loan advances (cash value)	–	9,671	757	10,234	20,662
Repayments	(1,477)	(2,870)	(441)	(42)	(4,830)
Capitalised interest	1,356	12,771	479	459	15,065
Cancelled – in-year	103	200	6	1	310
Total	**(18)**	**19,772**	**801**	**10,652**	**31,207**
Fair value loss on loan origination					
RDEL					
Impact of policy changes	–	3	–	14	17
Residual value change	–	2,820	12	2,648	5,480
RAME					
Impact of discount rate change	–	287	2	336	625
Sub-total	**–**	**3,110**	**14**	**2,998**	**6,122**
Annual revaluation fair value loss or (gain)					
RDEL					
Modelling differences	–	(379)	(128)	1,061	554
Operational costs movement	(11)	25	1	44	59
Residual value change	460	6,493	852	(1,142)	6,663
RAME					
Unwinding the discount	1,060	9,540	213	273	11,086
Capitalised interest	(1,356)	(12,771)	(479)	(459)	(15,065)
Release of deferred fair value gains	–	–	(23)	–	(23)
Impact of discount rate change	(23)	(241)	(10)	(6)	(280)
Modelling differences	–	(71)	(19)	(78)	(168)
CAME					
Cancelled – in-year	(103)	(200)	(6)	(1)	(310)
Sub-total	**27**	**2,396**	**401**	**(308)**	**2,516**
Total fair value loss	**27**	**5,506**	**415**	**2,690**	**8,638**

Annex D – Regulatory reporting

The following Core Tables show resource and capital expenditure for each year of the spending review period. They are not reported on the same basis as the financial statements, as they follow the Department's Estimate categories and budgeting structure, rather than financial reporting headings.

The Core Tables are produced automatically from HMT's Online System for Central Accounting and Reporting (OSCAR), which all central government departments use to record spending and plans. At 31 March 2026, OSCAR reflects the position agreed at the 2025 Budget. This does not match the outturn in previous years' financial statements, and some spending may appear on different lines, which may result in restatement of the previous years' Core Table figures.

The Department and DWP have been directed by HMT to reflect the adult skills MoG in the Core Tables (see the Forward look and note 29 for more information). Accordingly, prior year values have been restated from those presented in previous ARAs, and current year outturn values have been amended to remove adult skills activities. In addition to the MoG changes, the Core Tables have also been restated to reflect the budgetary treatment change for 'RDEL ringfence' which has now been moved to AME. Depreciation and amortisation is still ringfenced but it is charged to RAME rather than RDEL.

As a result, current year outturn values in the Core Tables will not match outturn presented elsewhere in this ARA including SOPS. Planned values for future years have also been amended to remove adult skills activities and adopt the revised ringfence budgetary classification. Therefore, the Core Tables are comparable across the years presented.

Planned spending in CDEL for 2029-30 was agreed at the recent spending review and is therefore included in the table below.

Table 1: Total Departmental Group spending

Summary

	2021-22 Outturn (Restated)	2022-23 Outturn (Restated)	2023-24 Outturn (Restated)	2024-25 Outturn (Restated)	2025-26 Outturn	2026-27 Plans	2027-28 Plans	2028-29 Plans
	£m	£m	£m	£m	£m	£m	£m	£m
Budget								
Resource DEL	67,719	72,834	77,726	84,684	90,370	94,182	96,309	99,965
Resource AME	(3,739)	(23,634)	2,662	9,068	13,739	(4,061)	1,695	1,618
Total resource	**63,980**	**49,200**	**80,388**	**93,752**	**104,109**	**90,121**	**98,004**	**101,583**
Capital DEL	4,791	5,904	6,633	5,596	6,886	8,217	7,689	7,689
Capital AME	21,867	24,827	30,910	30,900	29,603	35,902	30,671	30,644
Total capital	**26,658**	**30,731**	**37,543**	**36,496**	**36,489**	**44,119**	**38,360**	**38,333**
Total Departmental spending	**90,638**	**79,931**	**117,931**	**130,248**	**140,598**	**134,240**	**136,364**	**139,916**
Of which:								
total DEL	72,510	78,738	84,359	90,280	97,256	102,399	103,998	107,654
total AME	18,128	1,193	33,572	39,968	43,342	31,841	32,366	32,262

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Resource spending

	2021-22 Outturn (Restated)	2022-23 Outturn (Restated)	2023-24 Outturn (Restated)	2024-25 Outturn (Restated)	2025-26 Outturn	2026-27 Plans	2027-28 Plans	2028-29 Plans
	£m	£m	£m	£m	£m	£m	£m	£m
Resource DEL								
A Activities to Support all Functions	464	484	459	472	407	575	511	503
B Other School Funding (Department)	848	1,032	899	1,069	893	1,575	1,165	1,172
C Other School Funding (ALB) (net)	2	3	7	9	9	11	10	10
D Families and Children Services (Department)	580	715	971	1,146	545	861	673	677
E Families and Children Services (ALB) (net)	12	16	16	13	19	19	21	21
F Standards and Testing Agency	24	43	46	49	48	57	53	53
G Teaching Regulation Agency	8	10	14	17	15	16	15	15
Education and Skills Funding Agency	104	69	83	37	–	–	–	–
J Grants to LA Schools and Early Years	32,099	33,906	35,600	38,410	41,552	45,684	48,128	51,798
K Grants to Academies	27,177	29,581	32,662	35,811	38,772	37,121	37,540	38,079
L Higher Education	932	808	802	911	896	892	1,428	862
M Further Education	3,892	4,550	4,488	5,047	5,614	5,728	5,116	5,117
N Higher Education (ALB) (net)	1,577	1,617	1,679	1,693	1,600	1,643	1,649	1,658
Total resource DEL	**67,719**	**72,834**	**77,726**	**84,684**	**90,370**	**94,182**	**96,309**	**99,965**
Of which:								
staff costs	616	679	698	709	755	775	609	600
purchase of goods and services	790	882	1,006	993	678	1,543	2,249	1,678
income from sale of goods and services	(4)	(3)	(19)	(5)	(90)	(9)	(6)	(6)
current grants to local government (net)	31,955	34,090	35,612	38,679	41,104	45,802	47,665	51,925
current grants to persons and non-profit bodies (net)	6,738	7,420	3,018	3,138	2,922	2,517	2,618	2,054
current grants abroad (net)	(104)	(100)	–	–	–	–	–	–
rentals	25	5	1	(7)	(6)	49	48	48
take up of provisions	–	–	–	–	1	–	–	–
release of provisions	–	2	–	–	–	–	–	–
other resource	27,703	29,859	37,410	41,177	45,006	43,505	43,126	43,666

	2021-22 Outturn (Restated)	2022-23 Outturn (Restated)	2023-24 Outturn (Restated)	2024-25 Outturn (Restated)	2025-26 Outturn	2026-27 Plans	2027-28 Plans	2028-29 Plans
	£m	£m	£m	£m	£m	£m	£m	£m
Resource AME								
P Activities to Support all Functions (Department)	34	69	40	129	5,821	(5,428)	180	187
Activities to Support all Functions (ALB)	–	1	3	8	(1)	12	11	11
Q Executive Agencies	4	20	–	1	1	2	3	3
R Higher Education	(3,770)	(23,669)	2,588	8,927	7,940	1,309	1,477	1,391
S Further Education	(43)	(94)	(2)	(23)	(46)	14	(6)	(4)
T Higher Education (ALB) (net)	36	39	33	26	24	30	30	30
Total resource AME	**(3,739)**	**(23,634)**	**2,662**	**9,068**	**13,739**	**(4,061)**	**1,695**	**1,618**
Of which:								
staff costs	(1)	(1)	–	–	–	3	3	3
purchase of goods and services	(26)	(19)	(1)	–	(257)	–	–	–
current grants to persons and non-profit bodies (net)	–	–	1	–	2	–	–	–
depreciation	(2,856)	(14,886)	15,986	24,280	21,632	14,834	15,457	15,155
take up of provisions	107	87	202	160	5,709	456	56	56
release of provisions	(138)	(77)	(171)	(169)	–	(6,030)	(30)	(30)
other resource	(825)	(8,738)	(13,355)	(15,203)	(13,347)	(13,324)	(13,791)	(13,566)
Total resource	**63,980**	**49,200**	**80,388**	**93,752**	**104,109**	**90,121**	**98,004**	**101,583**

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Capital spending

	2021-22 Outturn (Restated)	2022-23 Outturn (Restated)	2023-24 Outturn (Restated)	2024-25 Outturn (Restated)	2025-26 Outturn	2026-27 Plans	2027-28 Plans	2028-29 Plans	2029-30 Plans
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Capital DEL									
A Activities to Support all Functions	58	119	168	82	268	223	157	157	157
B Other School Funding (Department)	1,430	1,190	1,702	1,949	1,943	2,851	2,389	2,389	2,389
C Other School Funding (ALB) (net)	(29)	(33)	(25)	(19)	(24)	(28)	(25)	(25)	(25)
D Families and Children Services (Department)	3	19	141	58	65	115	99	99	99
E Families and Children Services (ALB) (net)	2	3	2	2	4	3	3	3	3
F Standards and Testing Agency	1	4	4	6	7	5	7	7	7
Education and Skills Funding Agency	3	7	10	(7)	–	–	–	–	–
J Grants to LA Schools and Early Years	1,888	2,695	2,481	1,242	2,329	2,379	2,676	2,676	2,676
K Grants to Academies	1,032	1,334	1,115	1,167	1,311	1,630	1,304	1,304	1,304
L Higher Education	41	(8)	25	17	7	98	14	14	14
M Further Education	211	449	773	917	872	836	949	949	949
N Higher Education (ALB) (net)	151	125	237	182	104	105	116	116	116
Total capital DEL	**4,791**	**5,904**	**6,633**	**5,596**	**6,886**	**8,217**	**7,689**	**7,689**	**7,689**
Of which:									
staff costs	4	4	6	8	14	12	7	7	7
purchase of goods and services	7	11	10	11	14	50	55	55	55
capital support for local government (net)	1,998	2,648	2,588	1,289	2,534	2,164	3,103	3,123	3,123
capital grants to persons and non-profit bodies (net)	404	668	368	237	81	394	(45)	(45)	(45)
capital grants to private sector companies (net)	18	11	13	18	11	(220)	14	14	14
purchase of assets	298	418	772	438	285	2,729	2,053	2,053	2,053
income from sales of assets	(284)	(191)	(427)	(260)	–	(16)	(9)	(9)	(9)
net lending to the private sector and abroad	(63)	(57)	(51)	(49)	(39)	58	(40)	(40)	(40)
other capital	2,409	2,392	3,354	3,904	3,986	3,046	2,551	2,531	2,531

	2021-22 Outturn (Restated)	2022-23 Outturn (Restated)	2023-24 Outturn (Restated)	2024-25 Outturn (Restated)	2025-26 Outturn	2026-27 Plans	2027-28 Plans	2028-29 Plans	2029-30 Plans
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Capital AME									
P Activities to Support all Functions (Department)	–	2	3	1	3	6,000	–	–	–
Q Executive Agencies	–	1	–	–	–	–	–	–	–
R Higher Education	21,708	24,680	30,789	30,853	29,604	29,745	30,669	30,641	–
S Further Education	159	144	118	43	(3)	157	2	2	–
T Higher Education (ALB) (net)	–	–	–	3	1	–	–	1	–
U Further Education (ALB) (net)	–	–	–	–	(2)	–	–	–	–
Total capital AME	**21,867**	**24,827**	**30,910**	**30,900**	**29,603**	**35,902**	**30,671**	**30,644**	**–**
Of which:									
purchase of assets	–	–	–	–	(2)	–	–	–	–
net lending to the private sector and abroad	21,867	24,824	30,906	30,897	29,600	29,902	30,671	30,643	–
take up of provision	–	2	3	4	4	–	–	–	–
capital support for local government (net)	–	–	–	–	–	6,000	–	–	–
other capital	–	1	1	(1)	1	–	–	1	–
Total capital	**26,658**	**30,731**	**37,543**	**36,496**	**36,489**	**44,119**	**38,360**	**38,334**	**7,689**

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 here 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.

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Table 2: Administration costs

	2021-22 Outturn (Restated)	2022-23 Outturn (Restated)	2023-24 Outturn (Restated)	2024-25 Outturn (Restated)	2025-26 Outturn	2026-27 Plans	2027-28 Plans	2028-29 Plans
	£m	£m	£m	£m	£m	£m	£m	£m
Resource DEL								
A Activities to Support all Functions	365	381	357	380	434	451	435	426
B Other School Funding (Department)	2	3	6	7	7	7	7	7
E Families and Children Services (ALB) (net)	1	2	2	2	2	2	2	2
F Standards and Testing Agency	2	3	3	3	3	3	3	3
Education and Skills Funding Agency	64	42	42	38	–	–	–	–
N Higher Education (ALB) (net)	47	42	41	40	42	43	44	44
Total administration budget	**481**	**473**	**451**	**470**	**488**	**506**	**491**	**482**
Of which:								
staff costs	391	404	404	409	428	430	432	424
purchase of goods and services	115	114	106	106	100	100	114	114
income from sales of goods and services	(3)	(3)	(4)	(5)	(52)	(3)	(2)	(2)
rentals	23	11	7	(1)	–	–	–	–
other resource	(45)	(53)	(62)	(39)	12	(21)	(53)	(54)

Annex E – Analysed performance reporting

Body	Total operating income	Total operating expenditure	Other expenditure	Net expenditure for the year (including financing)	Permanently employed staff		Other staff	
					Number of employees	Staff costs	Number of employees	Staff costs
	£m	£m	£m	£m	Number	£m	Number	£m
Department	(357)	106,023	8,493	114,159	7,264	507	190	32
Executive agencies								
Skills England	–	31	(2)	29	252	17	5	–
Standards and Testing Agency	–	52	–	52	133	9	3	–
Teaching Regulation Agency	–	16	–	16	77	4	1	–
Non-departmental public bodies								
Aggregator Vehicle Plc	–	1	(1)	–	–	–	–	–
Children's Commissioner's Office*	–	3	–	3	25	2	4	1
Construction Industry Training Board*	(266)	291	–	25	976	61	3	1
Engineering Construction Industry Training Board	(42)	44	(1)	1	112	8	–	–
Institute for Apprenticeships and Technical Education	–	4	1	5	259	3	5	–
Located Property Limited*	–	8	–	8	52	5	2	–
Oak National Academy*	–	20	–	20	94	9	46	–
Office for Students*	(33)	1,438	–	1,405	511	41	–	–
Student Loans Company Limited*	(3)	309	3	309	3,093	152	–	–
Social Work England*	(11)	28	–	17	251	15	34	1
Group	**(712)**	**108,268**	**8,493**	**116,049**	**13,099**	**833**	**293**	**35**

The values disclosed for IfATE are for its final financial period from 1 April 2025 to closure on 31 May 2025.

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The balances show current year Group activities disaggregated across Group bodies based on their published ARAs. Where intra-Group activities occur, these balances have been eliminated between 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 – List of abbreviations

Abbreviation or term	Description
Academies	All schools operated by academy trusts encompassing academies, free schools, university technical colleges and studio schools
ACF	Assurance compliance framework
Agency	Executive agency
AHfS	Assets held for sale
AI	Artificial intelligence
ALB	Arm's length body, another term for a non-departmental public body
ALL	Advanced learner loan
AME (CAME or RAME)	Annually managed expenditure (capital or resource)
ARA	Annual report and accounts
ARC	Audit and Risk Committee
AuC	Asset under construction
BAR	Business appointment rules
BSFH	Best Start Family Hubs
C&AG	Comptroller and Auditor General
CBG	Consolidated Budgeting Guidance, issued by HMT
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
CO	Cabinet Office
CO_2e	Carbon dioxide equivalent
CPI	Consumer prices index
CSC	Children's social care
CSOPS	Civil Servant and Other Pension Scheme
DDT	Digital, Data and Technology
DEL (CDEL or RDEL)	Departmental expenditure limit (capital or resource)
Department, DfE	The core Department for Education, excluding executive agencies, non-departmental public bodies, academy trusts and further education colleges
Department and Agencies	The core Department plus its executive agencies but excluding non-departmental public bodies
Departmental Group, the Group	The single financial reporting body encompassing the core Department, executive agencies and non-departmental public bodies
DHSC	Department of Health and Social Care
DG	Director General
DSG	Dedicated schools grant
DWP	Department for Work and Pensions
EA	Executive Assistant
Ebacc	English Baccalaureate
ECITB	Engineering Construction Industry Training Board, an NDPB of the Department
ESFA	Education and Skills Funding Agency, an executive agency of the Department
Estimate	Group funding, as approved by HM Treasury and subject to specific limits by category of spending
EYPP	Early years pupil premium
FE	Further education

Abbreviation or term	Description
FReM	Government Financial Reporting Manual, issued by HMT
FFP	Families First Partnership
FTE	Full time equivalent
FVTPL	Fair value through profit or loss
GAG	General annual grant
GCIA	Group Chief Internal Auditor
GCSE	General Certificate of Secondary Education
GGC	Greening Government Commitment
GIAA	Government Internal Audit Agency
GLD	Good level of development
GRAA	Government Resources and Accounts Act 2000
HE	Higher education
HEO	Higher Executive Officer
HMRC	HM Revenue & Customs
HMT	HM Treasury
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
KWh	Kilowatt-hour
LEO	Longitudinal education outcomes
LfIC	Liability for incurred claims
LfRC	Liability for remaining coverage
LGPS	Local Government Pension Scheme
LLE	Lifelong learning entitlement
LocatED	Located Property Limited, an NDPB of the Department
MACPT	Multi-agency child protection team
MHCLG	Ministry of Housing, Communities and Local Government
MHST	Mental health support teams
MoG	Machinery of government changes
NAO	National Audit Office
NDPB	Non-departmental public body
NEET	Not in Education, Employment or Training
NELI	Nuffield Early Language Intervention
NFF	National funding formula
NM	Not a member of a committee
Oak	Oak National Academy Limited, an NDPB of the Department
OBR	Office for Budget Responsibility
OfS	Office for Students, an NDPB of the Department
ONS	Office for National Statistics
OIG	Operations and Infrastructure Group, an operational unit of the Department
OSCAR	HMT's Online System for Central Accounting and Reporting
PAA	Premium allocation approach
PAYE	Pay as you earn
PCPF	Parliamentary Contributory Pension Fund

Abbreviation or term	Description
PCSPS	Principal Civil Service Pension Scheme
PES	Public Expenditure System
PF2	Private Finance 2, the Department's PFI transaction
PFI	Private finance initiative
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
PSP	People Strategic Plan
RAAC	Reinforced autoclaved aerated concrete
RISE	Regional improvement for standards and excellence
RPA	Risk Protection Arrangement
RPI	Retail price index
RPIX	Retail price index excluding mortgage interest payments
SARA	Sector annual report and accounts, the standalone annual report and accounts for the academy sector
SCS	Senior Civil Service
SE	Skills England, an executive agency of the Department
SEND	Special educational needs and disability
SEO	Senior Executive Officer
SL	Student loans
SLC	Student Loans Company Limited, an NDPB of the Department
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
SRDD	Statutory repayment due date
SRG	Sustainability Reporting Guidance
SSRB	Senior Salaries Review Body
STA	Standards and Testing Agency, an executive agency of the Department
STRB	School Teachers' Review Body
SWE	Social Work England, an NDPB of the Department
TCFD	Taskforce on Climate-related Financial Disclosures
TEC	Technical excellence college
TME	Total managed expenditure
TPS	Teachers' Pension Scheme (England and Wales), a non-ministerial department separate to the Group
TRA	Teaching Regulation Agency, an executive agency of the Department
UCAS	Universities and Colleges Admissions Service
UN SDGs	UN Sustainable Development Goals
2024-25 and 2025-26	Financial years, ending on 31 March
2024/25 and 2025/26	Academic years, ending on 31 August (schools) or 31 July (colleges)



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