Department for Education

Consolidated Annual Report and Accounts 2011–12

(For the year ended 31 March 2012)

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Any enquiries regarding this publication should be sent to us at Department for Education, Castle View House, East Lane, Runcorn, Cheshire, WA7 2GJ.

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Contents

Scope

1. Entities within and beyond the Departmental Accounting Boundary

1.1 The entities within the Departmental boundary that make up these financial statements are the core Department for Education (Department), its Non-Departmental Public Bodies (NDPBs) and the Standards and Testing Agency.

1.2 Academies are beyond the boundary of the accounts for 2011-12.

2. Details of Entities within the Departmental Accounting Boundary

2.1 In 2011-12 the Department had lead responsibility for the public sector bodies listed below.

Executive NDPBs

Children's Workforce Development Council (CWDC)[1]

National College for School Leadership (NCSL)[1]

Partnerships for Schools (PfS)[1]

Qualifications and Curriculum Development Agency (QCDA)[1]

Training and Development Agency for Schools (TDA)[1]

Young People's Learning Agency (YPLA)[1]

School Food Trust (SFT)[2]

Children and Family Court Advisory and Support Service (CAFCASS)[3]

Office of the Children's Commissioner (OCC)[4]

Executive Agencies

Standards and Testing Agency (STA)

Advisory NDPBs

School Teachers' Review Body (STRB)

Independent Advisory Group on Teenage Pregnancy (IAGTP)

Teachers' TV Board of Governors (TTV)

School Support Staff Negotiating Body (SSSNB)

Public Corporation

General Teaching Council for England (GTC)[1]

1 Closed 31 March 2012

2 Reclassified outside the public sector from October 2011. Assets to be 'gifted' by DfE

3 Expected to transfer to Ministry of Justice, timing as yet uncertain

4 Remains within the Department family as an NDPB

2.2 The NDPBs were financed through grant in aid and the other bodies through grant funding.

3. Ministers

3.1 The following ministers formed the ministerial team of the Department during the 2011-12 financial year:

Rt. Hon Michael Gove MP	Secretary of State
Sarah Teather MP	Minister of State for Children and Families
Nick Gibb MP	Minister of State for Schools
John Hayes MP	Minister of State for Further Education, Skills and Lifelong Learning reporting jointly to the Department for Education and Department for Business, Innovation and Skills
Tim Loughton MP	Parliamentary Under Secretary of State for Children and Families
Lord Hill of Oareford	Parliamentary Under Secretary of State for Schools

4. Management of the Department

The Board

4.1 The Department Board provides strategic and operational leadership of the Department. It is chaired by the Secretary of State and the members include the full Ministerial team, the Permanent Secretary and Director Generals, plus external members (our non-executive Board members). Executive board members are appointed by the Permanent Secretary (with the approval of the Senior Appointments Selection Committee where appropriate). Further information on the appointment and policies relating to board members is contained in the Remuneration Report.

4.2 The Board's responsibilities include:

- agreeing the Department's aims and objectives;
- ensuring that the priorities contained in the Business Plan are being implemented in the most efficient and effective way possible;
- overseeing the implementation of the Department's Spending Review settlement;
- monitoring the progress of the Department's work through key performance indicators;
- ensuring sound financial management of the Department within the context of the Business Plan; and
- monitoring the performance of the Department's Arms Length Bodies (ALBs).

4.3 On 31 March 2012, in addition to the Secretary of State and our Ministerial team, the Departmental Board comprised:

Chris Wormald	Permanent Secretary
Tom Jeffery	Director General, Children, Young People and Families Directorate
Stephen Meek	Acting Director General, Education Standards Directorate
Andrew McCully	Acting Director General, Infrastructure and Funding Directorate
Simon Parkes	Director of Finance and Commercial Group
Anthony Salz	Non-executive member
Theodore Agnew	Non-executive member
Dame Sue John	Non-executive member
John Nash	Non-executive member

Other members of the Department Board who served during the year:

Sir David Bell	Permanent Secretary (until Dec 2011)
Jon Coles	Director General, Education Standards Directorate (until Dec 2011)
Lesley Longstone	Director General, Infrastructure and Funding Directorate (until Oct 2011)
Sue Higgins	Director General, Finance and Corporate Services Directorate (until July 2011)
Paul Kissack	Acting Director General, Children, Families and Young People Directorate (between Dec and March 2012)

4.4 The Board meets every six weeks to consider reports covering the main financial and non-financial risks to the Department and strategic considerations around:

- the Departmental aims and objectives;
- the implementation of the Business Plan priorities;
- progress against our key performance indicators;
- the Department's risk appetite;
- the financial management and performance of the Department; and
- the performance of the Department's arms length bodies.

4.5 The Board is supported in its work by a number of sub boards and committees, these being:

- the **Executive Management Board**, which focuses on the Department's achievement against its strategic aims and objectives;
- the **Performance Committee**, which scrutinises progress against the performance and delivery of Departmental objectives;
- the **Delivery Assurance, Risk and Audit Committee**, which advises the Board on the Departmental risk appetite and monitors risk/control issues;
- the **Nominations and Governance Committee**, which examines the Departmental capability to deliver current and future policy demands.

4.6 Detail of each sub board and committee is set out in the Governance Statement, which can be seen on page 51 of this report.

Lead Non-Executive's Report

4.7 Over the past year, the Department for Education (DfE) has made good progress in developing a new approach to its governance so that it is fit for purpose and contributes to the effectiveness of the Department.

4.8 The Department has put in place the recommended structure of a Board chaired by the Secretary of State and several Board committees comprising Non Executive Board Members (NEBMs). A recent evaluation of the effectiveness of the Board and its committees has shown that: (1) there is increasing appreciation that the Board and its committees are adding value to the governance of the Department; and (2) there is an emerging consensus on how the Department can better engage Ministers, officials and NEBMs together in:

a) maintaining a collective understanding, and contributing to the development, of strategic priorities;

b) providing collective scrutiny and challenge in relation to performance, risk, resources, change and capability, and

c) improving communication within their group, across the Department and externally with stakeholders.

4.9 There is currently no precise design for a governance structure for a Government Department, and traditional corporate governance models provide only a guide. The Department and its Ministers continue to adapt their approach, including their engagement with NEBMs.

4.10 The Department's ability to establish and develop its governance over the past year has helped it to implement at pace its large scale reform programme in a context of both significant reductions in funding and significant change amongst its most senior executives.

Board impact

4.11 The DfE Board and its committees have had a notable impact on a wide range of areas across the Department.

4.12 Board Awaydays in February 2011 and then again in February 2012 resulted in the Board developing greater clarity and agreement on the Department's priorities. This has helped NEBMs to assist Ministers and officials with effective scrutiny and challenge on whether the Department's resources are appropriately focused on Ministerial priorities. As a result, and in response to an internal review on how internal processes can be re-engineered in light of best practice from inside and outside the public sector, the Department is increasing levels of flexible resource and instigating greater spans of control for Deputy Directors.

4.13 The Board and its committees have provided strategic leadership to the programme for the reform of the Department's arms-length bodies (ALBs), involving the closure of seven ALBs and the setting up of 4 Executive Agencies. This has included consideration of a range of issues, from ensuring the effective use of IT systems to organisational structure and governance arrangements. The Executive Agencies opened with shared transactional services and corporate functions securing significant efficiency savings without unnecessary risk to delivery. There remain challenges in integrating the Executive Agencies within the Department and agreeing effective accountability arrangements.

Departmental progress and performance

4.14 The Department has made very good progress with its planned reforms over the past year. This has resulted in: increased numbers of Academies (a growth of over 1600) and Free Schools (24 as at 1 March 2012), reforms to initial teacher training to improve the quality of new recruits, the implementation of the phonics screening check, the introduction of the English Baccalaureate, the green paper on special educational needs, revised guidance on adoption, the launch of 'Positive for Youth' and the implementation of the pupil premium, to name but a few. NEBMs have been impressed by the quality of the work undertaken by many officials and their commitment in a challenging environment.

4.15 The Department responded to the demands for greater efficiency with plans to reduce administrative costs by 42% over the current spending review period. This will be achieved through the ALBs reform programme, the restructuring and reallocation of staff in response to the annual business planning round and the establishment of a Departmental Review to take forward actions and recommendations from the 2011 Capability Review and People Survey. Changes already instigated include: (1) the deployment of LEAN techniques in relation to specific processes such as Academy conversions; (2) the establishment of reviews of financial management, ICT, and research and analysis functions; (3) rolling out change management training sessions for all SCS; and (4) initiating fortnightly feedback arrangements for the distribution of messages across the organisation and for senior managers to monitor the concerns of staff.

4.16 The Department aims to achieve a better understanding of its capability and the cumulative impact of its work. Adaptations to its corporate governance arrangements, following the recent Board and committee evaluation, will clarify the roles of the Board and its committees and will emphasise continuing work to: (1) improve management information (in particular, outcome and impact indicators) both to improve performance and to provide a firm basis upon which to make decisions for the next spending review; and (2) ensure, as part of the DfE Review, that the Department maintains its focus on continuous improvement, building on the arrival of the Executive Agencies and the different skills and cultures they bring.

4.17 Not only have we been impressed by the quality and commitment of many of the Department's staff, we have also been most grateful for the openness with which they have approached the new governance arrangements and that part of our role that involves challenge to the status quo.

4.18 Over the past financial year there have been no changes to the Department's NEBMs. The Board has been supported by the following four committees:

a) **Performance Committee** – which provides detailed challenge and scrutiny of the Department's progress on its performance and delivery of priorities.

b) **Delivery Assurance, Risks and Audit Committee** – which provides: (a) scrutiny and challenge of risk areas in key delivery programmes; (b) advice on risk management strategies, internal control, financial accounts, financial and performance management, and internal and external audit; and (c) oversight of corporate governance arrangements.

c) **Nominations and Governance Committee** – which offers detailed scrutiny, challenge and advice about the Department's capability in terms of its organisation and staffing.

d) **Executive Management Board** – which provides space for the Permanent Secretary and the senior leadership team to discharge their responsibility for the executive management of the Department.

Performance Evaluation

4.19 The Secretary of State commissioned an internal evaluation of the effectiveness of the Board and its Committees at the end of the financial year. The evaluation focused on three key areas:

(1) the contribution of the Board to strategy, risk and control, and performance management;

(2) how the Board and each of its Committees work in terms of their individual culture and dynamics, composition, size and tenure; and

(3) how the Board and each of its Committees utilises their time, their use of agendas, the quality of their papers, and the balance between presentation and debate.

4.20 A light-touch methodological approach was adopted given the significant changes in Executive Board membership over the past year. This included:

- the completion of a short questionnaire on the operation of the Board by all 14 members as well as the previous Permanent Secretary;
- follow-up discussions between the Lead Non-Executive and a sample of members; and
- self-evaluations of the Performance Committee; Delivery Assurance, Risk and Audit Committee (DARAC); and the Executive Management Board (EMB). The Nominations and Governance Committee was not evaluated as only two quarterly meetings had taken place since its establishment in September 2011.

4.21 The key recommendations that will be taken forward following the evaluation of the Board and its committees are:

a) Revising the remits for the Board and its committees to ensure clarity of purpose, explicit routes for delegation and escalation, alignment between committees and alignment with the governance structure of the rest of the Department.

b) Clarifying the Department's strategic priorities whilst improving management and financial information to facilitate oversight of performance.

c) Improving the functioning of the Board and its committees by: establishing an annual timeline of agenda items which explicitly relate to the agreed remits of the Board/committees; ensuring that escalation and delegation routes are used appropriately; ensuring papers are of high quality and the Board and committees are clear about what is being asked of them; and rescheduling the frequency and length of Board/committee meetings so they allow business to be done in a way that is timely and facilitates the relevant level of discussion

5. Departmental Reporting

5.1 The Annual Report and Accounts are reproduced on the Department's website at the website below. The Department also publishes key performance data related to the Department's structural reform priorities. http://www.education.gov.uk/aboutdfe/departmentalinformation/reports

6. Pension Liabilities

6.1 The Statement of Financial Position does not include the pension liabilities of the Department's staff or ministers. The civil servants' pension liabilities are part of the Principal Civil Service Pension Scheme (PCSPS) and ministers' pension liabilities are included in the Parliamentary Contributory Pension Fund (PCPF). Both pension schemes publish separate annual accounts. Further information on accounting treatment of pension liabilities within the Department's accounts can be found in the Remuneration Report (beginning at page 41) and the notes to the Accounts (note 1 accounting policies on page 83).

7. Register of Interests

7.1 The Department maintains a register of interests which contains details of company directorships and other significant interests held by executive and non-executive board members. The register is open for inspection by appointment at any of the Departmental offices. Anyone wishing to view the register can contact the Department as follows:

- By e-mail to: malcolm.fielding@education.gsi.gov.uk
- By telephone: 020 7340 7693
- By writing to: Malcolm Fielding, Corporate Finance, Department for Education, Fifth Floor, Sanctuary Buildings, 20 Great Smith Street, London, SW1P 3BT

7.2 Details of directorships and other significant interests held by Ministers are set out in the Register of Members' Interests for MPs and can be found at: http://www.publications.parliament.uk/pa/cm/cmregmem/contents.htm.

7.3 The Register of Lords' Interests can be found at:

http://www.parliament.uk/mps-lords-and-offices/standards-and-interests/register-of-lords-interests/. Both registers are available on the UK Parliament website.

8. Auditor

8.1 The Comptroller and Auditor General (C&AG) is the external auditor of the Department's financial statements, appointed under statute and required to report the results of his audit examination to Parliament. The notional cost of work performed by the National Audit Office during 2011-12 totalled £500,000 (2010-11: £320,000) and covered both the Department and Teachers' Pension Scheme Annual Accounts. The increase since 2010-11 reflects additional work in support of the Department's first consolidated accounts. With the inclusion of STA, the fee rises to £535,000; fees pertaining to the ALBs can be found in their individual accounts.

8.2 The National Audit Office (NAO), on behalf of the C&AG, also carries out value for money studies for which it does not receive remuneration from the Department. During 2011-12 the main studies undertaken were:

- *Oversight of financial management in local authority maintained schools,* published on 19 October 2011;
- *Oversight of special education for young people aged 16-25,* published on 4 November 2011; and
- *Delivering the free entitlement to education for 3 and 4 year olds,* published on 3 February 2012.

8.3 The topics are chosen each year based on the NAO's analysis of the risks to value 8or money across the Department and government as a whole; the scale of spending involved and areas of concern to the Public Accounts Committee.

8.4 As Principal 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's auditors are aware of the information. I am not aware of any relevant audit information which has not been shared with the Department's auditors.

Management Commentary

9. Aim and objectives of the Department

9.1 The Department, alongside other government departments, published a Business Plan covering its vision, coalition priorities, structural reform plans, departmental expenditure and information on how it is going to become more transparent. The Business Plan covers the period 2011-2015 and will be refreshed annually to reflect the latest priorities. It can be found at the following web address: http://transparency.number10.gov.uk/transparency/srp/.

9.2 The Business Plan includes the Department's six structural reform priorities which are:

- To increase the number of high quality schools and introduce fair funding;
- To reform the school curriculum and qualifications;
- To reduce bureaucracy and improve accountability;
- To train and develop the professionals who work with children;
- To introduce new support for the early years; and
- To improve support for children, young people and families, focusing on the most disadvantaged.

9.3 The Department's Structural Reform Plan sets out how and when the Department will achieve these reforms. A monthly report on progress is published on the No 10 website at: http://transparency.number10.gov.uk/transparency/srp/. A summary of the information is shown below:

Structural Reform Priorities	Number of actions due to be completed in 2011-12	Number of actions that were met on time	Number of actions missed by 1 month	Number of actions missed by 2 months	Number of actions missed by 3 months or more
1. Increase the number of high quality schools and introduce fair funding	11 of 13	8	1	0	2
2. Reform the school curriculum and qualifications	2 of 6	2	0	0	0
3. Reduce bureaucracy and improve accountability	8 of 12	8	0	0	0
4. Train and develop the professionals who work with children	2 of 9	2	0	0	0
5. Introduce new support for the early years	5 of 8	5	0	0	0
6. Improve support for children, young people and families, focusing on the most disadvantaged	10 of 14	8	1	0	1
Total Department	38 of 62	33	2	0	3

9.4 The Department's Business Plan also includes a set of impact and input indicators which it will use to report on its progress in achieving the reforms set out in the plan. Presentation of this data is described on the No 10 website so data is not presented here. The tables below set out the definitions of these indicators and when they will be published. The following link will allow the detail to be reviewed: http://transparency.number10.gov.uk/transparency/srp/.

Impact indicator	When will publication start	How often will it be published
Attainment of 'the basics' at ages 11, 16 and 19: (four Sub Indicators: Percentage of pupils achieving Level 4 in both English and maths at age 11; Percentage of pupils achieving A*- C GCSE in English and maths at age 16; Percentage of young people who have attained a full Level 3 qualification by 19; Percentage of young people who have not attained a Level 2 qualification in English and maths at age 16, who go on to attain Level 2 or higher qualification in both by the end of the year).	Key Stage 2 – December following the academic year Basics Key Stage 4 – January following the academic year Level 3 qualification and Level 2 English and mathematics at age 19 – March following the academic year	Annual
Attainment beyond the basics at age 16: The indicator is the percentage achieving English Baccalaureate.	English Baccalaureate – January following the academic year	Annual
Attainment gap at ages 11, 16 and 19: Five sub indicators measuring the gaps between children receiving Free School Meals (FSM) and the rest at all stages, and Looked After Children (LAC) and the rest at 11 and 16.	Key Stage 2 and key stage 4 attainment (FSM and LAC): December following the academic year Level 3 at age 19 (FSM) – March following the academic year	Annual
Outcome of education: Two sub indicators: first the percentage of children on FSM progressing to 1) Oxford or Cambridge, 2) Russell Group, 3) all universities; and second, destinations of young people. In advance of full destination data being available the data will measure 16 and 19 year old participation in education.	To be confirmed Spring 2012	Annual
School quality: Four sub indicators: Number of schools below the floor standard (separate floors for primary and secondary); Percentage achieving new 'basics' measure at GCSE (most deprived schools and least deprived schools, and the gap between them); teaching by teachers with qualifications in relevant subject areas	Floor standards primary December – January following the academic year Deprived schools – December following the academic year Teaching by teachers with qualifications in relevant subject published in April	Annual
Factors affecting education: Two sub indicators: Pupil absence; and proportion of pupils in alternative provision achieving 1) Level 1, and 2) Level 2, in functional English and Maths	Pupil absence – March following the academic year Alternative provision – Summer 2011	Annual
Academies/Free Schools: i) Number of academies and free schools opened nationally ii) Number of academies and free schools opened by LA as a % of all schools	Started	Quarterly
Vulnerable children and young people: Measured by absence for looked after children, a subset of the vulnerable children and young people group. A more robust performance information framework for children's safeguarding is being developed with first data publication planned for 2014. Data on attainment and absence for looked after children are available.	Data for current indicator is available. Data for a more robust replacement indicator planned for 2014.	Annual
School readiness at age 5: Option is being considered and, if agreed, data will be available during 2012.	To be confirmed	To be confirmed

Input indicator	2011-12	2010-11
1. 3-4 year old aggregate spend, £bn	1.90	1.54
2. Schools aggregate spending (excl Pupil Premium) £bn	37.83	36.22
3. Schools aggregate spending (Pupil premium) £bn	0.56	-
4. 16-19 year old aggregate spending (£bn, current = year ended 31/3/2011; previous = year ended 31/3/2010)	7.39	6.44
5. Early Intervention Grant £bn	2.24	-
Total number of actions completed during the year	43	-
Total number of actions overdue at the end of the year	3	-
Number of overdue actions that are attributable to external factors	0	-
Total number of actions ongoing	16	-

NB: Input Indicators will be published annually from 2011.

10. About the Department

10.1 The following paragraphs are a summary of the Department's activities during 2011-12, reported against four key themes: Delivery; Culture; People; and Systems.

Our delivery

10.2 The Department has worked with other government departments, its Executive Agency, Non Departmental Public Bodies and other partners (e.g. local authorities and third sector organisations) to achieve the priorities set out in the Business Plan.

10.3 Non-Departmental Public Bodies (NDPBs) are arms length bodies which assist ministers and the Department in the making or delivery of its policies. See paragraph 2 for details of the Department's NDPBs in 2011-12.

Our Culture

Equality and diversity

10.4 The Department aspires to be an exemplar equal opportunities employer and to create a workplace which values diversity and is free from any form of unfair discrimination.

10.5 The Department has a Diversity Delivery Plan within which targets have been set to be achieved by 2013 for the representation of women; disabled; Lesbian, Gay and Bisexual; and Black and minority ethnic staff. The Department has already met its target for the representation of women in the Senior Civil Service – 70 (54%) as at 31 March 2012 against a target by 2013 of 65 (50%).

10.6 The plan focuses on four key objectives:

- changing behaviour to create an inclusive culture;
- strong leadership and clear accountability;
- creating development opportunities and a talent management process to support delivery of a diverse workforce; and
- measuring and communicating impact and success.

Equality and diversity targets and progress

10.7 The following table shows the Department's progress towards its Equality and Diversity targets, set for end of March 2013. The decision to freeze recruitment over 2011-12 whilst we worked through the ALB Reform Programme, combined with the staffing changes associated with the programme, means that we may not fully achieve the targets but the position will be reassessed when the departmental restructuring has fully bedded in.

Progress towards the 2013 Department's Equality and Diversity Targets[1]

	Department target 2013		31-Mar-10		31-Mar-11		31-Mar-12	
	%	Number	%	Number	%	Number	%	Number
Women in Senior Civil Service (SCS)	50	65	55	65	55	66	54	70
Women in Top Management Positions (TMP)	50	15	55	15	54	15	40	10
Black and Minority Ethnic (BME) in SCS	8	10	<4	<5	4	5	4	5
Disabled in SCS	6	10	<4	<5	<4	<5	<4	<5
Lesbian, Gay, Bisexual and Transgender in SCS (LGBT)	6	10	<4	<5	<4	<5	4	5
Women in feeder grades	50	360	55	395	54	395	55	460
BME in feeder grades	10	70	8	55	8	55	8	65
Disabled staff in feeder grades	8	60	7	50	7	50	6	50
LGBT in feeder grades	6	45	3	25	4	30	4	30

10.8 The following tables are drawn from the Quarterly Data Summary (QDS). The QDS is produced in support of the government's transparency agenda and is intended to make departmental management information held by the government available to the public on a regular basis. The information provided is not audited but will be published regularly; the next publication will take place in July 2012.

Figures based on full time equivalent staff numbers.

Whole Department Family – Workforce Size		**31-Mar-12**	**31-Mar-11**
Payroll Staff [Total full-time Equivalents]	Department and Agencies	2,674	2,470
	Non-departmental public bodies	4,667	5,349
	Department Family	7,341	7,819
Average Staff Costs (£)		**55,112**	**55,551**
Contingent Labour [Total full-time Equivalents]	Department and Agencies	27	44
	Non-departmental public bodies	290	367
	Department Family	317	411
Department and Agencies Only		**31-Mar-12**	**31-Mar-11**
Workforce Shape	Administrative Assistants and Administrative Officers	181	202

1 These numbers are based on actual headcount at the specified dates. Tables later in this report may reflect full time equivalent (FTEs) staff numbers, which will differ from headcount and will therefore not be directly comparable. In each case, the table will be annotated appropriately.

Total full-time Equivalents	Executive Officers	445	454
	Higher and Senior Executive Officers	1,154	1,071
	Grade 7/6	774	632
	Senior Civil Servants	120	111
Workforce Dynamics	Part Time	11	16
	Recruitment Exceptions	446	97
	Annual Turnover Rate (%)	9.8	12.4
Workforce Diversity	Black and Minority Ethnic (%)	12.8	12.8
[Total]	**Women (%)**	**58.3**	**59.2**
	Disabled (%)	**6.7**	**7**
Workforce Diversity	Black and Minority Ethnic (%)	3.9	3.5
[Senior Civil Servants only]	Women (%)	52.4	60.3
	Women (Top Management Posts) (%)	46.0	59.3
	Disabled (%)	2.4	3.5
Attendance (AWDL)	Actual	5.5	6.2
	Standardised	Not available	9.6
Department only; People Survey Metrics		**2011 survey**	**2010 survey**
Engagement Index (%)		85	60
Theme scores (%)	Leadership and Managing Change	42	45
	My Work	75	75
	My Line Manager	70	72
	Organisational Objectives & Purpose	83	74

Our people

Recruitment Practice

10.9 Recruitment is carried out in accordance with the Civil Service Commissioners' Recruitment Principles. The Department's approach to recruitment reflects its commitment to equal and fair opportunity for all. All recruitment processes comply with the Equality Act 2010.

10.10 The Department's recruitment policy takes account of the current spending controls placed on government departments. It ensures that the Department's approach to filling vacancies is compliant with the Cabinet Office protocols for managing surplus staff and the Civil Service in the English Regions (CSER) Vacancy Filling Scheme which opens posts up to all civil servants in their substantive grade and on promotion.

10.11 To support the Cabinet Office protocols for managing surplus staff, priority movers are considered for internal vacancies in isolation and advance of other individuals, as set out in the Department's Recruitment and Redeployment Policy. They also have access to vacancies in other government departments in order to maximise their chances of redeployment.

10.12 There are a number of restrictions on where, when and how we can fill vacancies. In order to be fully compliant, and to satisfy Cabinet Office requirements, once we have exhausted internal priority movers, and carried out lateral moves, the Department must advertise vacancies on CS Jobs (to all current surplus staff across government) before opening the vacancy to all civil servants under the requirements of CSER.

10.13 Where a vacancy cannot be filled internally consideration may be given to whether it is appropriate to advertise the post externally. Following the introduction of the spending controls in May 2010, all external recruitment is subject to a rigorous internal approval process, which may include Ministerial approval.

Exceptions to Fair and Open Competition

10.14 A number of people were recruited without full, fair and open competition, in accordance with the exceptions permitted by the Office of the Civil Service Commissioners for example, where it was necessary to secure very specific skills and to deliver specific tasks. The Department recorded as exceptions to fair and open competition the names of individuals with a legal right to transfer who joined the Department as a result of the ALB reform programme, which saw the closure of 11 ALBs over 2010-11 and 2011-12. Details of the programme can be found at paragraph 17.50.

Inward and Outward Secondments

10.15 Inward and outward exchanges bring a greater diversity of staff background, outlook and experience to the Department's policy making and services. New inward secondments are subject to a rigorous internal approval.

Fire, Health and Safety

10.16 Over 2011-12, we have been reviewing and resetting the Department's fire, health and safety management system to reflect Lord Young's report 'Common Sense, Common Safety', and to ensure that our control measures are commensurate with the risks associated with our business. This will ensure effective business operations and minimise lost staff time from accidents and ill health, whilst maintaining legal compliance.

10.17 Activity has specifically focused on:

- setting clear roles and responsibilities proportionate to our business need at all levels of the organisation;
- ensuring that fire safety is appropriately prioritised, and that suitable fire risk assessments are in place for all sites;
- implementing more proportionate H&S policies and arrangements for managing risk;
- developing robust systems and processes to effectively meet our obligations across the Department family;
- establishing a clear statutory compliance monitoring framework; and
- strengthening resources and increasing competency levels.

Sickness Absence

10.18 Figures at 28 March 2012 showed average working days lost through sickness absence at an average of 5.1; a 0.9 day reduction from the figures for the year ended March 2011.

Departmental Correspondence

10.19 All government departments and agencies have published targets for answering correspondence. The Department's target is to reply to 95% of all correspondence within 15 working days. In 2011-12, 72% of replies were sent within the deadline. This is 6% percentage points higher than the Department's performance in 2010-11. Correspondence is an area included in the Department's continuous improvement project and aims to deliver increased efficiency in this area in 2012-13.

Communications, Publicity and Advertising

10.20 Communications Group has undergone reorganisation and downsizing over 2011-12 to refocus its external communications on low cost media, public relations and social media channels delivered by in-house staff; and release significant savings to the taxpayer, schools and children's services. Total spending on communications and marketing activity and infrastructure was £12m in 2011-12 and is projected to be just £3.3m in 2012-13, with zero spending on paid forms of publicity such as advertising. Communications Group staff numbers, excluding the Public Communications Unit (PCU), have also reduced across the period from 171 FTE posts on 1 April 2011 to 48.

Payment Policy

10.21 The Department is legally required to pay correctly submitted invoices within 30 days of receipt from the day of physical or electronic arrival at the nominated address of the Department. In addition, it is practice for the Department to pay all correctly submitted invoices within 10 calendar days. During 2011-12, 99.13% (2010-11: 98.9%) of valid invoices received from suppliers were paid within 30 calendar days of receipt and 95.2% (2010-11: 94.1%) of valid invoices received from suppliers were paid within 10 calendar days of receipt. The Department made one payment of £10.03 to Capita under the *Late Payment of Commercial Debts (Interest) Act 1998* as amended and supplemented by the *Late Payment of Commercial Debts Regulations 2002*.

10.22 The aggregate amount owed to trade creditors at 31 March 2012 compared with the total annual expenditure of the Department (excluding staff costs), expressed as the number of days in proportion to the total number of days in the financial year, is 0.26 days (2010-11: 0.1 days).

Complaints to the Department

10.23 The Department is committed to providing a quality service and achieving the highest standards of conduct. One of the ways in which we can continue to improve our service is by listening and responding to the views of our customers.

10.24 The Department's complaint policy and guidance on how to make a complaint is at http://www.education.gov.uk/aboutDepartment/complaintsprocedure.

Complaints to the Parliamentary Ombudsman

10.25 The Parliamentary Ombudsman can look into complaints about a service provided by a government department, agency or other organisation acting on their behalf providing that the body falls within its jurisdiction and that it has been referred to the Ombudsman by a Member of Parliament. The Department and most of its NDPBs are included within the Ombudsman's jurisdiction, but few cases are taken to a full investigation. Partly, this is because cases which relate to local authorities and schools, where most of the services are delivered to the public, are outside the jurisdiction of the Parliamentary Ombudsman.

10.26 In the Parliamentary Ombudsman's *Annual Report 2010-11: A service for everyone,* published in July 2011 on their website http://www.ombudsman.org.uk/, the Ombudsman recorded the status of cases arising during the period 1 April 2010 – 31 March 2011. The cases recorded for the Department and its NDPBs are shown below:

Number of complaints reported on by the Ombudsman during 2010-11

Reported on in 2010-11	Fully upheld	Partly upheld	Not upheld
9	7	1	1

Sponsorship

10.27 Cabinet Office guidelines require departments to disclose details of sponsorship valued at more than £5,000 which directly contributes to the work of the department. No sponsorship valued at more than £5,000 was received by the Department during the year.

Consultancy and Temporary Staff Spend

10.28 Consultants are hired to work on projects in a number of specific situations: where the Department does not have the skills internally; where the particular requirement falls outside the core business of civil servants, or where a different, external perspective on difficult issues is needed. When used appropriately, consultancy has proven to be a cost effective and efficient way of getting the temporary and skilled external input that we need.

10.29 In 2011-12, the Department's outturn for consultancy expenditure was £705,000, including ALB costs of £184,000 (2010-11: £8.1 million, including £6.287m ALB costs). This was mainly used to support the expansion of the Academies and Free Schools programmes.

10.30 This significant reduction stems from the implementation of the consultancy spending controls introduced by Cabinet Office. The Department is fully committed to applying those controls consistently. Internal scrutiny by senior commercial officials and final internal approval by Lord Hill is required for all consultancy expenditure which is exceptionally requested on the basis of being of operational necessity.

10.31 The Department has contracts for the engagement of staff and specialist contractors to cover short term requirements. Situations when resource may be hired include: to cover unexpected absences; short term peaks in workload; short term projects; or a permanent vacancy until the vacancy can be filled. As a result of the spending controls on recruitment introduced in May 2010, any use of contingent labour is subject to the efficiency controls process and requires Ministerial approval; in 2011-12 the Department's outturn was £1.67million (2010-11 £4.1 million).

Research

10.32 During 2011-12 the Department spent £12.1 million on research and evaluation, including studies covering the following policy areas:

- **Children's workforce:** This study investigated whether training and follow up consultation in the framework encompassing the definition, recognition, assessment and management of emotional abuse (FRAMEA) would improve professional activity. *(https://consumption.education.gov.uk/publications/RSG/Safegauardingchildren/Page1/DFE-RB196)*.
- **Providing improved support for Families:** The evaluation's objective was to understand the value and impact of the training programme as it was implemented by the National Academy for Parenting Practitioners (NAPP). The findings have been used by trainers and programme staff to make improvements to delivery directly benefitting the parenting workforce. *(https://consumption.education.gov.uk/publications/RSG/Governancemanagementandfinance/Page1/DFE-RR186)*
- **Safeguarding children**: This research provides evidence on how to articulate children's online risks, safeguard them from harm and promote their welfare. The findings support a range of practitioners who work with children (teachers, youth workers, social care staff, school nurses and GPs) to help them identify children who are at most risk of being harmed by online activity or interactions. *(https://www.education.gov.uk/publications/RSG/publicationDetail/Page1/CWRC-00085-2011)*

11. Environmental, Social and Community Issues

Relationship with Employees

11.1 The Department worked with its trade unions, both formally and informally, to achieve shared aims and objectives in an equal, positive and constructive relationship. The Department aims to promote a positive employee relations environment where staff and the trade unions can contribute constructively to the Department's objectives.

11.2 The Department conducts a full people survey annually. The most recent survey took place during October 2011 and the results were published in January 2012. The Department achieved an 85% response rate from its staff. This information is being used to support development of the Department's strategies and continually improve the way the Department manages its people.

Better Regulation

11.3 In line with the Government's focus on the principle of reducing the overall burden of regulation, a raft of measures has strengthened the deregulatory approach in both public and private sectors. Some key measures in place in the Department are:

One In, One Out:

11.4 This initiative was introduced by the coalition government to ensure that, for every new regulation introduced, an equally burdensome regulation must be removed. The overall cumulative balance on the latest Statement of New Regulation (covering the period 1 January 2012 to 30 June 2012) shows the Department in credit by £0.07 million (-£0.07m as set out in the Statement of New Regulation). The Department is aiming to increase substantially the overall credit in the next Statement of New Regulation, which is due to be published in December 2012.

Impact Assessments

11.5 In the latest Regulatory Policy Committee report covering January to December 2011, 7 of the Department's Impact Assessments were assessed, of which 6 (86%) were given 'fit for purpose' assessments. The one Assessment that was judged not 'fit for purpose' subsequently gained a 'fit for purpose' assessment after amendments were made.

Sunsetting Regulations

11.6 All new regulations impacting on the private sector must have a clause allowing its removal (known as sunsetting) after seven years, unless a case is made for its retention. The Department has one regulation in scope (in relation to independent schools). This is not due to be reviewed for some time.

The Red Tape Challenge

11.7 This cross-Government initiative covers private, voluntary and civil society sector regulation. The Children's Services and Independent Schools theme appeared on the RTC website last autumn; all the regulations affecting the relevant sectors were posted on the website for public comment. We did not receive many comments, and those we did get were often in support of regulations rather than suggesting abolition. Nonetheless, some regulations have been identified for repeal. More broadly, the Department continues to scrutinise its regulations, seeking to identify and remove those which serve no useful purpose. We seek an efficient regulatory landscape which minimises burdens whilst retaining necessary controls.

Alternatives to Regulation

11.8 As part of the Red Tape Challenge, the Behavioural Insights Team (a central Whitehall challenge function) looked at our private sector policies with a view to finding alternative approaches other than regulation. Departmental analysts have developed expertise in behavioural science and work with policy teams to develop non regulatory solutions to policy problems.

11.9 In addition, we fund the Centre for Understanding Behavioural Economics (CUBeC), which conducts research into the drivers of behaviour change to inform policy-making across the range of Department priorities.

Mainstreaming Sustainable Development

11.10 The Department remains fully committed to sustainable development and recognises the importance of preparing young people for the future. Research suggests that when schools adopt sustainability principles, it can raise standards and enhance young people's well-being. This is because sustainability engages young people in their learning, improving motivation and behaviour, and also promotes healthy school environments and lifestyles. We continue to believe that schools perform better when they take responsibility for their own improvement, and that schools should make their own judgments on how sustainable development should be reflected in their ethos, day-to-day operations and through education for sustainable development. We make specific help available on sustainability for schools through our Departmental website, should they wish to use it, for example in our recently published Top Tips for Sustainability in Schools. This complements the work of organisations, including the Sustainable Schools Alliance, to encourage the take up of sustainable development in schools.

11.11 As part of our cross-government commitment to sustainability, the Department continues to make progress in mainstreaming sustainable development, with the aim of strengthening our capacity to consider the broad implications of policy decisions. Guidance on embedding sustainability is included on the Department's internal website on good policy making, and our policy analyses consider sustainability alongside equality, economic and new burdens assessments. We will continue to focus particularly closely on policies which impact most on sustainability, including school capital decisions.

Adapting to Climate Change

11.12 Over the last year, work has continued on adaptation to minimise the predicted and unavoidable effects of future extreme weather events and longer term climate change. We have worked with the Department of the Environment, Food and Rural Affairs to ensure Departmental issues are properly reflected in the cross-government Climate Change Risk Assessment, and have made progress in implementing our Departmental Adaptation Plan. This has included considering the predicted effects of climate change, including long term rising temperatures, as we develop baseline designs for school buildings. We are also looking into the possible negative impacts of overheating on children's learning to establish whether future action is required.

11.13 Schools' energy bills continue to rise. The Department promotes energy efficiency in schools via several routes, including Top Tips for Sustainability in Schools; work with the Carbon Trust on its Collaborative Low Carbon Schools Service to support local authorities and schools; and work with the Department for Energy and Climate Change on the Carbon Reduction Commitment Scheme, the UK's mandatory climate change and energy saving scheme.

11.14 The Department is fully committed to operating an efficient estate and to reducing the environmental impact of its operations and their associated costs. This is the second year that the Department has reported non-financial and financial indicators of its sustainability performance in its Annual Report and Accounts, following the HM Treasury guidance, *Public Sector Sustainability Reporting*, published at www.financial-reporting.gov.uk. Furthermore, this is the first year that the Department is reporting a full data set, including its executive agency and non-Departmental Public Bodies (NDPBs). Sustainability data and delivery plans are also reported more frequently to the Cabinet Office.

11.15 This section of the report seeks to align the Greening Government Commitments (GGC) and the Department's accounting boundaries where possible. However, the Department's GGC return does not currently include Cafcass whereas this report does. Cafcass data will be included in GGC reporting at the earliest opportunity. YPLA data has been excluded as it is already included in the Department for Business, Innovation and Skills (BIS) return due to building occupancy arrangements.

Targets and Summary of 2011-12 Performance

11.16 Department has aligned its Sustainable Operations delivery plan and targets to the requirements of GGC, set out at (http://sd.defra.gov.uk/gov/green-government/commitments/), and 2011-12 performance is summarised in the following tables. Where the GGC framework does not set specific targets, the Department has defined its own aspirational targets, including a total estate water reduction target and a target recycling rate. These are detailed in relevant sections and in the tables below.

Non-financial performance against key Greening Government 2015 targets

	Reduce GHG Emissions by 25%	**Reduce Total Estate Water Consumption by 25%**	**Reduce Waste Generation by 25%**	**Achieve Recycling Rate of 85%**
Performance (base = 09-10)	-23%	-27%	+2.3%	89%

Financial benefits of our Greening Government programme

£'000	Energy	UK Business Travel	Waste Disposal	Water Use	Total
2011-12 cost comparison vs. 2009-10	-636	-2,024	-4	-15	-2,679
2011-12 cost comparison vs. 2010-11	+33	-74	+5	-31	-67

Greenhouse Gas Emissions

11.17 Targets for Greenhouse Gas (GHG) emission reductions:

- Reduce GHG emissions by 25% by 2015 from a 2009-10 baseline from the whole estate and business-related transport; and
- Cut domestic business travel flights by 20% by 2015 from a 2009-10 baseline.

Greenhouse Gas Emissions Summary

Greenhouse Gas Emissions		2009-10	2010-11	2011-12
Non-Financial Indicators (tonnesCO_2e)	Total gross emissions for Scopes 1 & 2.	16,222	13,934	12,494
	Gross emissions attributable to Scope 3 official UK business travel	950	999	1,175
	Number of domestic air travel flights	400	547	152
Related Energy Consumption (kWh)	Electricity: non-renewable	25,018,000	22,449,000	20,873,000
	Electricity: renewable	0	5,046	19,716
	Gas	15,790,000	10,793,000	8,173,000
	Steam	2,334	934	402
	Other	0	0	0
Financial Indicators (£'000)	Total expenditure on energy	3,034	2,365	2,398
	CRC licence expenditure (2010 onwards)	n/a	0	0
	CRC income from recycling payments	n/a	0	0
	Expenditure on accredited offsets (e.g. GCOF).	0	0	0
	Total expenditure on official UK business travel	6,381	4,431	4,357
	Expenditure on domestic air travel	21	29	8

11.18 Department has reduced its total in-scope GHG emissions through 2011-12. The Department has also met the previous administration's Sustainable Operations on the Government Estate (SOGE) targets for carbon emissions related to both energy use (gas and electricity) and administrative road travel and the Prime Minister's target to reduce carbon emissions from offices by 10% over 12 months from May 2010, achieving a 21.5% reduction.

11.19 Reductions have largely been realised through low cost energy efficiency measures, for example through estate rationalisation (by using space more efficiently and co-locating with other organisations), and operating our remaining buildings even more efficiently.

11.20 The most significant aspects of Department's GHG emissions are from electricity use, particularly ICT, and gas boilers. The Department has reviewed its delivery plans to ensure these aspects are suitably targeted and that emissions are being reduced in line with GGC requirements.

11.21 The Department is very conscious of the role of education in GHG reduction and strives to be an exemplar across Central Government and at the forefront of innovation and efficiency across its estate. Consequently, a number of our sites have research arrangements in place with local higher education establishments.

11.22 The Department has also been working with its suppliers to reduce the emissions of their goods and services, in particular with its facilities management providers. New ICT technologies, such as Thin Client, are also facilitating emissions reductions and the ALB Reform has significantly increased the scope of these positive impacts. Where appropriate, sustainability clauses are being incorporated into all new contracts to help ensure suppliers are meeting the Government Buying Standards and supporting the Department's efficiency work.

Waste Management

11.23 Our targets for waste management are:

- Reduce the amount of waste generated by 25% from a 2009-10 baseline by 2015;
- Achieve recycling rate of at least 85% by 2015;
- Cut paper use by 10% in 2011-12;
- Implement a "closed loop" recycled paper service; and
- Ensure that redundant ICT equipment is reused (within government, the public sector or wider society) or responsibly recycled.

Waste Disposal Summary

Waste			**2009-10**	**2010-11**	**2011-12**
Non-Financial Indicators (tonnes)	Total Waste Production		1,959	2,914	2,004
	Hazardous waste	Total	51.00	25.00	40.00
	Non-hazardous waste	Landfill	238	180	180
		Reused/Recycled	1,608	2,659	1,731
		Composted	0	0	0
	Total ICT waste reused/recycled		9	13	19
		Incinerated/energy from waste	35	24	20
		Incinerated waste without energy recovery	18	13	14
	Paper Procured	Total Reams	40,404	44,511	27,176

Waste			**2009-10**	**2010-11**	**2011-12**
Financial Indicators (£'000)	Total Disposal Costs		104	95	100
	Total Waste	Landfill cost	25	20	27
	Hazardous waste – Total disposal cost		2	1	1
	Non-hazardous waste – Total disposal cost	Landfill	25	20	27
		Reused/Recycled	70	69	68
		Composted	0	0	0
		Incinerated/energy from waste	7	5	4
	Paper Procured	Total Spend	107	121	78

11.24 Following the increase in waste in 2010-11 (following Machinery of Government (MOG) changes, some existing publications became obsolete) the Department is recovering its performance towards GGC requirements. The Department has also achieved an excellent recycling rate of 87%, through revising waste management services and improving staff engagement.

11.25 The Department is currently developing waste management plans to maintain high recycling rates and further reduce waste wherever possible. In rationalising the estate, the Department has sought to redeploy equipment within the Department group and its main ICT contracts require that all redundant ICT equipment is either reused or recycled.

11.26 The Department has met the in-year 10% paper reduction commitment achieving a reduction of 39% in 2011/12. The Department is also working towards adopting the cross-Government closed loop paper recycling and supply framework by Summer 2012, and has already amended procurement processes to purchase closed loop recycled paper.

11.27 The Department continually reviews its waste management processes to identify more sustainable solutions for reducing waste and for processing unavoidable waste in the most sustainable manner. In early 2012, the Department entered a joint WRAP/DEFRA-led voluntary agreement to work with catering suppliers to reduce food and packaging waste by 5%, and to increase volumes sent to anaerobic digestion (AD) or composting to at least 70%, both by 2015. Progress will be reported next year.

Finite Resource Consumption – Water

11.28 The Department's total water consumption has been reduced over recent years to successfully meet the SOGE reduction target; however, further work is required to achieve the GGC good practice benchmark.

11.29 Water efficiency targets include an internal target to reduce total consumption by 25% by 2015 from a 2009-10 baseline, and to report on office water use against the following GGC benchmarks:

- ≥6 m3 water consumption per FTE poor practice;
- 4m3 to 6m3 per FTE good practice;
- ≤4m3 per FTE best practice; and
- percentage of offices meeting the best/good/poor practice benchmark.

Water Consumption Summary

Finite Resource Consumption – Water			**2009-10**	**2010-11**	**2011-12**
Non-Financial Indicators (M3)	Water Consumption	Office Estate	71,353	68,026	54,762
		Office per FTE	8.1	9.7	8.2
		Whole Estate	84,651	75,262	61,720
Financial Indicators (£'000)	Water Supply Costs		213	229	198

11.30 The Department's water office consumption is primarily from cooling plants, toilets, canteens and tea points. Reductions to date have largely been achieved through staff awareness work and leak reduction activity.

11.31 Throughout 2012, the Department will be auditing all key sites to identify further water savings. And in response to the current drought, the Department will be running an awareness campaign to ensure that all staff and contractors are aware of the Department's policy on water efficiency, as well as the actions needed to save water in the office and at home.

Transparency Commitments

11.32 The Department also reports against a number of transparency commitments as part of GGC. Progress is summarised in the table below.

Summary Table of Transparency Commitments

Transparency Commitments
Climate Change Adaptation (CCA) The Department is using the Environment Agency flood map service to inform lease and tenancy agreements. Sustainable Operations policies require that CCA is considered when making estates and property decisions. These policies are currently being reviewed in response to the GGC Framework. The Department is currently compiling robust business continuity and climate change adaptation plans linked in to children's education – the key aspects of these plans will feed into the National Adaptation Plan.
Biodiversity Action Planning Tree surgery being undertaken in-year has ensured that biodiversity was promoted and enhanced where possible, such as by creating new habitats and conserving rare species. Green roofs are located on some Department sites to help with run-off volumes and rates, improve biodiversity, help ensure that developments are designed to adapt to climate change and help improve the quality of the run-off water.
Sustainable Procurement, including food and catering services Staff are required to ensure that all purchasing is channelled through Government Procurement Services using Government Buying Standards (GBS). The requirement to comply with GBS and GGC commitments is a core theme of the Department's new total facilities management contract.
Environmental Management System (EMS) The Department currently operates an EMS based on ISO14001:2004.
People Last year, four staff wellbeing events were organised by People & Change across the DfE estate with over 100 staff in attendance. The Departmental Intranet also provides detailed advice and guidance related to this. The Department is currently reviewing its Sustainability Impact Assessment process for office relocations.

Note on calculations: The majority of the sustainability section of the report has been compiled using accurately measured data, verified through internal controls. Where complete data sets have not been available, (for example through lack of granularity, or due to landlord service charges), internal benchmark figures have been applied based on known parameters and data sets. This has been applied to CAFCASS for energy, waste, water and business travel, and some ALBs' business travel and waste streams.

Rural Proofing

11.33 Following the Department's recent consultation on reforming the school funding system, we have looked closely at the potential impact on small, rural schools. We have undertaken some analysis to help identify how much funding small schools would need to cover their fixed costs and are considering whether a local authority should be able to apply a lump sum to schools of between £100k and £150k. We also discussed this approach with colleagues in DEFRA and they were content.

11.34 It has however become apparent that the application of the lump sum may not provide sufficient protection for some small rural schools and we will be considering further before any final decisions on funding arrangements for 2013-14 are made in June this year.

12. Personal Data Security

12.1 All departments are required to report personal data related incidents that have occurred during the financial year in accordance with the standard disclosure format issued by the Cabinet Office.

12.2 The Cabinet Office defines a 'personal data related incident' as a loss, unauthorised disclosure or insecure disposal of protected personal data. 'Protected personal data' is data which the Department or its delivery partner hold whose release or loss could cause harm or distress to individuals, including as a minimum:

- information that links one or more identifiable living person with information about them whose release would put them at significant risk of harm or distress; and
- any source of information about 1,000 or more identifiable individuals, other than information sourced from the public domain.

12.3 No protected personal data related incidents were formally reported to the Information Commissioner's Office in 2011-12.

12.4 Other protected personal data related incidents reported in 2011-12 are summarised in the table below. Incidents not falling within the criteria for reporting to the Information Commissioner's Office but recorded centrally within the Department are included; smaller, localised incidents are not recorded centrally, so are not included:

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	None
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	None
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	None
IV	Unauthorised disclosure	2
V	Other	None

12.5 The information contained in the table above only relates to personal data security for the core Department. The Department's NDPBs and other ALBs will report personal data related incidents in their own statutory accounts.

13. Financial Performance

13.1 The following paragraphs present summaries of the financial performance during the year and the future developments which will impact on financial performance. Throughout the report, references are to the Group accounts unless stated otherwise.

Control Totals: Summary of Outturn

13.2 The Department expenditure remained within its Resource and Capital DEL control totals in 2011-12, despite the considerable volatility in finances over the year. Forecasts have been challenged and managed very closely.

13.3 This close oversight has allowed forecast large capital underspends to be redirected, with EMB and HM Treasury approval, into advance payments of 2012-13 Basic Need allocations to the five Local Authorities in greatest need. The Department also responded to HM Treasury's request for contributions to the Growing Places Fund. The result of this proactive management was a forecast of final capital outturn significantly more accurate than in previous years, settling at 0.4% underspend.

13.4 The outturn on programme budget also demonstrated improved forecasting across the Department. There was very little movement between the Supplementary Estimate position in January to final outturn in March, ending at 0.25% underspend.

13.5 The forecast administration budget outturn was more challenging, given the impact of Departmental restructuring and the ALB Reform Programme, ending with a 10% underspend. This reflected savings made on travel and subsistence, consultancy and professional services, controls on recruitment, and a lower than anticipated take-up of voluntary early retirement.

13.6 The Department breached its Annually Managed Expenditure (AME) control total in 2011-12. This is because the accounting treatment of two old pension liabilities, which pre-dated the introduction of Resource Accounts in government, has been amended to come into line with current accounting policy and practices.

13.7 The creation of this provision means that we have breached the AME control total and will result in a technical qualification for the Department. This does not impact upon the 'true and fair' view of the financial statements.

13.8 The consolidated accounts also have a regularity qualification from YPLA's accounts, relating to severance payments made by academies. Details of this issue can be seen at paragraphs 17.69 to 17.73.

Comparison of Outturn to Supply Estimate

13.9 The Statement of Parliamentary Supply provides information on how the Department has performed against the Parliamentary controls on resources and cash expended by the Department. This information is supplemented by note 2, which reports outturn in the same format as the Supply Estimate.

13.10 The Statement of Parliamentary Supply shows that the Department has not breached the Resource and Capital DEL Parliamentary controls, but has breached the Annually Managed Expenditure (AME) control total. At Estimate level, outturn was £105 million (0.2% of the budget) lower than the £56.4 billion net resource limit. As a result of this underspend, the Department required less cash than planned in the Supply Estimate. The net cash requirement limit was £56.5 billion, but the Department consumed £56.3 billion in financing its activities, £145 million (approx. 0.25%) less than the Parliamentary limit.

Consolidated Statement of Comprehensive Net Expenditure

13.11 The Consolidated Statement of Comprehensive Net Expenditure reports total administration and programme costs.

13.12 Of the £56.3 billion net operating costs, the majority of expenditure (£55.9 billion) is incurred on programme expenditure. More information on programme expenditure is given in note 2 and note 9. Only 0.6% (£363 million) was spent on administration costs (£383 million 0.7% 2010-11).

Consolidated Statement of Financial Position

13.13 The Consolidated Statement of Cash Flows provides further information on how the Department financed its activities. The main source of funding is the Consolidated Fund.

Significant Contingent Liabilities

13.14 Note 22 to the Accounts provides updated information on the contingent liabilities which the Department was required to report to Parliament at 31 March 2012.

Financial Analysis

13.15 The tables below show the outturn and variance explanations for all sections, where the variance exceeds 10% of the budget, as required by the Financial Reporting Manual. In total, Resource DEL outturn was £146.1 million (0.3%) lower than the Supply Estimate net resource limit of £51.3 billion.

Figures are rounded, so may not match accounts exactly.

Section	Section Description	Limit £000	Outturn £000	Variance (over)/under £000
A	Activities to Support all Functions	295,621	256,938	38,683
Explanation of variance Administration underspends during the ALB reform implementation particularly in terms of agency setup, pensions and exit costs for the defunct ALBs amounted to £12m. The Voluntary Early Release Scheme (VERS) was under spent by £4m. Following the creation of the Civil Service learning programme there has been reduced spend in learning and development expenditure of £15m. Programme – There has been reduced communications spending in line with Coalition Government policy. Communications Group has introduced significant restrictions to curb Programme spending on communications activity across the wider Department. The Group has recalibrated to deliver communications activity in-house wherever possible using low cost/no cost approaches. This accounts for £7m of the under spend.				
D	Education Standards, Curriculum and Qualifications (Department)	230,739	184,813	45,926
Explanation of variance This was driven across a number of programme areas, most notably Raising Standards in English with a low take up of phonics and Mathematics £13m. National Strategies, which is one of the Government's programmes for improving the quality of learning and teaching in schools along with setting and raising standards of attainment in Early Years repaid £15m following closure of activities.				
F	Workforce Training and Development (Department)	41,223	33,478	7,745
Explanation of variance Student Teacher Loan Company payments have reduced largely due to teachers leaving the profession. This means the Department is no longer liable to pay off the loan with the individuals paying back the loans themselves.				
G	Workforce Training and Development Administration (NDPB)	54,618	46,406	8,212
Explanation of variance The majority of the under spend resulted from turnover of staff and subsequent difficulties in recruitment for NDPBs closing down, there was a marked reduction in admin costs (£8m).				
H	Early Years (Department)	96,808	73,867	22,941
Explanation of variance Delayed start on work relating to Special Needs and Disability (SEND) green paper led to a £12.5M under spend, Early Years research did not go ahead £1.6m, Payment by Results, which is to Incentivise Local Authorities to use children's centres in a specific way to deliver the core purpose through output measures, trial started six months later than planned £2.3M; there are other SEND under spends £2.8M.				
K	Standards and Testing Agency	19,111	14,699	4,412
Explanation of variance STA have achieved a number of contract savings in the programmes inherited from QCDA. Additional income of £1.3m was received from optional tests.				

Section	Section Description	Limit £000	Outturn £000	Variance (over)/under £000
L	Activities to Support all Functions (Department)	1,007	63,634	(62,627)
Explanation of variance The budget of £1,007 included -£5.6m for property provision release, -£6.8m for Voluntary Early Retirement provision release and £13.5m for provision take up. There was increase in voluntary exit scheme release costs as this is demand led and numbers increased to those forecast and this accounts for the variance of -£4.1m. The entire provision take up (£13.5) ultimately occurred within ALBs. A new provision has been created to properly recognise a liability for premature retirement compensation for teachers at ex grant-maintained schools, ex-employees of the Schools Council, Training Commission and other ex-NDPBs. The previous arrangements pre-dated the introduction of resource accounting.				

13.16 In total, Capital outturn was £21.7 million (0.4%) lower than the Supply Estimate net capital limit of £5.1 billion.

Section	Section Description	Limit £000	Outturn £000	Variance (over)/under £000
A	Activities to Support all Functions	16,000	13,155	2,845
Explanation of variance There was a lower than expected capital costs associated with ALB Reform and on the refurbishment of the Departmental estate.				
B	School Infrastructure and Funding of Education (Department)	94,856	55,037	39,819
Explanation of variance: There was a fall in the applications for academy convertors, especially in the last quarter of the financial year, where conversions were well below the forecasted level.				

Data Tables

13.17 The tables below and on the following pages provide an analysis of Departmental expenditure in resource terms, showing resource consumption and capital investment. These tables reflect the priorities set out in the Department's Business Plan and are included in accordance with HM Treasury's guidance contained in PES (2011) 10.

All figures are rounded.

Table 1: Total Departmental Spending, 2007-08 to 2014-15 (£ million)

This table shows spending on programmes which are within DfE's Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME). For 2011-12, the outturn is £56.2 billion for DEL and £63.6 million for AME.

	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Plans	2013-14 Plans	2014-15 Plans
Resource Budget								
Resource DEL								
Section A – Activities to Support all Functions	278	281	303	249	257	330	310	269
Section B – School Infrastructure and Funding of Education (Department	3,899	5,348	5,240	3,405	674	1,030	975	1,031
Section C – Education Standards, Curriculum and Qualifications (Department)	535	547	553	392	218	379	324	291
Section D – Children, Young People and Families (Department)	2,608	1,748	2,228	2,354	2,389	2,626	2,735	2,915
Section E – Children, Young People and Families (NDPB) (Net)	116	130	133	107	133	127	127	126
Section F – Departmental Unallocated Provision	0	0	0	0	0	67	262	247
Section G – Standards and Testing Agency	0	0	0	0	15	41	37	36
Section H – Teaching Agency	796	815	890	869	659	491	465	456
Section I – National College	112	106	120	107	104	108	80	78
Section J – Education Funding Agency – Excluding Academies	36,164	37,472	39,683	41,793	41,415	37,870	38,401	39,384
Section K – Academies (Net)	0	0	0	1,783	5,289	9,383	9,383	9,383
Education Standards, Curriculum and Qualifications (NDPB) (Net)	202	212	263	186	43	0	0	0
Total Resource DEL	**44,709**	**46,657**	**49,412**	**51,245**	**51,196**	**52,452**	**53,099**	**54,215**
Of which:								
Pay	290	336	388	347	337	7,447	7,475	7,438
Net current procurement[1]	530	664	1,174	786	486	3,032	3,415	3,423
Current grants and subsidies to the private sector and abroad	2,810	2,982	3,102	8,154	11,616	5,945	5,559	5,582
Current grants to local government	35,745	38,095	39,834	41,237	37,819	34,945	35,450	36,532
Depreciation	20	21	27	35	32	27	27	27
Other	5,313	4,559	4,887	686	906	1,056	1,173	1,214
Resource AME								
Section L – Activities to Support all Functions (Department)	11	(11)	(30)	(51)	64	(5)	(5)	(5)
Total Resource AME	**11**	**(11)**	**(30)**	**(51)**	**64**	**(5)**	**(5)**	**(5)**
Of which:								
Current grants and subsidies to the private sector and abroad	0	0	0	(34)	0	0	0	0
Take up of provisions	25	19	23	15	97	0	0	0

	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Plans	2013-14 Plans	2014-15 Plans
Release of provisions	(20)	(37)	(54)	(35)	(47)	(5)	(5)	(5)
Depreciation	7	6	0	3	1	0	0	0
Total Resource Budget	**44,720**	**46,646**	**49,382**	**51,194**	**51,260**	**52,447**	**53,093**	**54,210**
Of which:								
Depreciation[2]	26	27	27	38	33	27	27	27
Capital DEL								
Section A – Activities to Support all Functions	16	37	60	24	13	15	15	15
Section B – School Infrastructure and Funding of Education (Department	449	595	615	375	55	178	3,666	3,798
Section D – Children, Young People and Families (Department)	520	432	607	674	139	31	0	0
Section E – Children, Young People and Families (NDPB) (Net)	1	0	0	0	0	0	0	0
Section H – Teaching Agency	1	1	0	0	0	0	0	0
Section I – National College	1	0	1	2	1	0	0	0
Section J – Education Funding Agency – Excluding Academies	3,203	3,401	5,157	5,411	4,821	4,030	0	0
Section K – Academies (Net)	0	0	0	0	13	309	0	0
Education Standards, Curriculum and Qualifications (NDPB) (Net)	5	13	58	100	0	0	0	0
Supported Borrowing (NDPB)[5]	1,032	1,045	943	539	0	0	0	0
Total Capital DEL	**5,226**	**5,524**	**7,442**	**7,124**	**5,042**	**4,563**	**3,681**	**3,813**
Of which:								
Net capital procurement[3]	21	44	70	23	15	324	15	15
Capital grants to the private sector and abroad	444	428	480	660	218	243	319	615
Net lending to the private sector	0	0	0	0	5	0	0	0
Capital support for local government	4,708	4,845	6,671	6,310	4,702	3,965	3,347	3,183
Other	53	207	220	131	103	31	0	0
Total Capital Budget	**5,226**	**5,524**	**7,442**	**7,124**	**5,042**	**4,563**	**3,681**	**3,813**
Total Departmental Spending[4]	**49,920**	**52,143**	**56,797**	**58,280**	**56,269**	**56,982**	**56,747**	**57,996**
Of which:								
Total DEL	49,915	52,160	56,827	58,334	56,206	56,988	56,753	58,002
Total AME	5	(18)	(31)	(54)	63	(5)	(5)	(5)

1 Net of income from sales of goods and services

2 Includes impairments

3 Expenditure on tangible and intangible fixed assets net of sales

4 Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

5 Capital expenditure includes Supported Borrowing totals which are not included in the comparator figures detailed in Note 2 to the Accounts.

Spending by local authorities on functions relevant to the department (£'000)

	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2010-12 Outturn
Current spending	**38,249**	**40,456**	**41,670**	**42,100**	**44,652**
of which:					
financed by grants from budgets above	33,706	35,980	37,625	41,237	37,827
Capital spending	**4,047**	**5,058**	**5,998**	**6,258**	**5,693**
of which:					
financed by grants from budgets above ††	4,708	4,845	6,671	6,310	4,702

Table 2: Estimate to Outturn 2011-12 (£ million)

This table shows year just ended outturn figures from table 1 compared to the final budgetary control totals

	2011-12 Final Estimate	2011-12 Outturn
Resource budget		
Resource DEL		
Section A – Activities to Support all Functions	296	257
Section B – School Infrastructure and Funding of Education (Department	950	674
Section C – Education Standards, Curriculum and Qualifications (Department)	272	218
Section D – Children, Young People and Families (Department)	2,425	2,389
Section E – Children, Young People and Families (NDPB) (Net)	129	133
Section F – Departmental Unallocated Provision	–	–
Section G – Standards and Testing Agency	19	15
Section H – Teaching Agency	678	659
Section I – National College	112	104
Section J – Education Funding Agency – Excluding Academies	41,101	41,415
Section K – Academies (Net)	5,317	5,289
Education Standards, Curriculum and Qualifications (NDPB) (Net)	44	43
Total Resource DEL	**51,342**	**51,196**
Resource AME		
Section L – Activities to Support all Functions (Department)	1	64
Total Resource AME	**1**	**64**
Capital DEL		
Section A – Activities to Support all Functions	16	13
Section B – School Infrastructure and Funding of Education (Department	95	55
Section D – Children, Young People and Families (Department)	148	139
Section E – Children, Young People and Families (NDPB) (Net)	–	0
Section H – Teaching Agency	–	0
Section I – National College	–	1
Section J – Education Funding Agency – Excluding Academies	4,791	4,821
Section K – Academies (Net)	14	13
Education Standards, Curriculum and Qualifications (NDPB) (Net)	–	0
Total Capital DEL	**5,064**	**5,042**

Table 3: capital employed, 2007-08 to 2015-16 (£million)

Table 3 shows the capital employed by the Department. For 2011-12, the total capital employed was £ (85)m

Assets and liabilities on Statement of financial position at the end of the year:

	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Projected Outturn	2012-13 plans	2013-14 plans	2014-15 plans	2005-16 plans
Assets	97	108	154	166	163	148	140	134	134
Non- current assets									
Of which:									
Intangible assets	24	42	68	64	57	46	38	33	33
Property, plant and equipment	72	44	59	75	74	74	74	74	74
Of which:									
Land and Building	50	17	13	52	51	51	51	51	51
Financial assets	1	22	21	21	26	26	26	26	26
Debtors falling due after more than 1 year	0	0	6	6	6	6	6	6	6
Current Assets	976	146	54	63	76	76	76	76	76
Liabilities									
Current liabilities	(1,366)	(375)	(357)	(272)	(275)	(275)	(275)	(275)	(275)
Provisions	(64)	(49)	(26)	(36)	(24)	(12)	(8)	(4)	(4)
Capital employed within the main department	(357)	(170)	(175)	(79)	(60)	(63)	(67)	(69)	(69)
ALB net assets	(7)	(178)	(340)	(118)	(25)	(160)	(160)	(160)	(160)
Total capital employed in departmental group	(364)	(348)	(515)	(197)	(85)	(223)	(227)	(229)	(229)

Table 4 – Administration Costs. 2007-08 to 2014-15 (£'000)[1]

This table shows details of the Department's spend of its administration budget. This expenditure forms part of the Department's Resource DEL detailed in previous tables and the outturn for 2011-12 is £373.9 million.

	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Plans	2013-14 Plans	2014-15 Plans
Analysis by activity								
Section A – Activities to Support all Functions	207	210	210	197	219	286	272	232
Section E – Children, Young People and Families (NDPB) (Net)	23	24	25	15	17	15	14	13
Section G – Standards and Testing Agency	0	0	0	0	4	5	5	5
Section H – Teaching Agency	35	38	51	34	31	19	19	18
Section I – National College	17	27	14	20	16	12	12	12
Section J – Education Funding Agency – Excluding Academies	60	58	63	80	68	70	58	55
Education Standards, Curriculum and Qualifications (NDPB) (Net)	50	76	76	64	19	0	0	0
Total administration budget[2]	**393**	**434**	**438**	**410**	**374**	**407**	**380**	**335**
Of which:								
Paybill	258	300	304	272	234	229	257	221
Other	149	147	144	148	147	183	127	119
Total administration budget[2, 3]	**408**	**447**	**447**	**420**	**380**	**412**	**385**	**339**
Administration income[4]	(15)	(13)	(9)	(10)	(6)	(5)	(5)	(5)
Total administration budget	**393**	**434**	**438**	**410**	**374**	**407**	**380**	**335**

1. Administration budgets previously covered only the running costs of the department. As detailed in the Comprehensive Spending Review 2010, from April 2011 this has been extended to include arms length bodies. For consistency, this change has been applied from 2007-08 to 2014-15.

2. In 2010-11, following the break-up of the Learning and Skills Council (LSC), the administration figure increased to include the outturn for the Young People's Learning Agency. The historical figures 2007-08 to 2009-10 have been estimated to indicate a consistent series of figures, as a Machinery of Government change was not required at the time.

3. Prior to the Spending Review 2010 there were a number of policy areas that were treated as programme spend rather than administration. For consistency, this change has been applied from 2007-08 to 2010-11.

4. Income for 2011-12 differs from that in Note 2 of the Accounts as the table includes Arm's Length Bodies, that are now part of the Executive Agencies, which are shown net in the Accounts.

Table 5: Staff in post

	1 April 2010	1 April 2011	2 April 2012
Department			
Civil Service full time equivalent	2,550	2,469	2,699
non-payroll staff including consultants, contingent labour, interim managers, specialist contractors & agency staff	20	1	40
Sub total	**2,570**	**2,470**	**2,739**
Agency			
Civil Service full time equivalent	-	-	1,169
non-payroll staff including consultants, contingent labour, interim managers, specialist contractors & agency staff	-	-	1
Sub total	-	-	1,170
ALBs			
Civil Service full time equivalent * *	4,455	3,743	1,667
non-payroll staff including consultants, contingent labour, interim managers, specialist contractors & agency staff	643	319	173
	5,098	4,062	1,840
Total Group ***	**7,668**	**6,532**	**5,749**

Note:

* ALB data for 2012 reflect numbers in post as at 2nd April, to reflect the transfer of staff from closing ALBs to the Department on this date.
** The ALB figures as at 31 March 2010 are based on the 2009-10 average.

*** Group data excludes Ofsted and Ofqual

Staff numbers are prepared on a different basis to those in note 7 and will not be directly comparable.

13.18 The following three tables show analyses of the department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury as part of the October 2011 Public Expenditure Statistical Analyses (PESA) National Statistics release. The figures were taken from the HM Treasury public spending database in summer 2011 and the regional distributions were completed by autumn 2011. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report. Totals may not sum due to rounding.

13.19 The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities own expenditure.

13.20 TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2011. The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded.

13.21 Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.

Table 6: Total identifiable expenditure on services by country and region, 2006-07 to 2010-11 (£ millions)

	National Statistics				
Department for Education	**2006-07 outturn**	**2007-08 outturn**	**2008-09 outturn**	**2009-10 outturn**	**2010-11 outturn**
North East	549	566	630	701	700
North West	1,233	1,336	1,503	1,703	1,839
Yorkshire and the Humber	953	1,022	1,091	1,219	1,328
East Midlands	734	816	911	1,033	1,151
West Midlands	1,024	1,065	1,203	1,448	1,438
East	872	932	1,015	1,162	1,387
London	1,710	1,765	1,848	2,075	1,941
South East	1,341	1,489	1,630	1,740	1,970
South West	856	887	990	1,147	1,306
Total England	9,271	9,878	10,822	12,228	13,061
Scotland	9	11	13	20	36
Wales	95	110	135	194	238
Northern Ireland	1	1	1	7	8
UK identifiable expenditure	9,375	10,000	10,971	12,449	13,343
Outside UK	28	33	40	53	97
Total identifiable expenditure	9,403	10,033	11,011	12,502	13,440
Non-identifiable expenditure	-	-	-	-	-
Total expenditure on services	**9,403**	**10,033**	**11,011**	**12,502**	**13,440**

Table 7: Total identifiable expenditure on services by country and region, per head 2006-07 to 2010-11 (£ per head)

Department for Education	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn
North East	215	221	245	271	268
North West	180	195	219	247	265
Yorkshire and the Humber	185	197	209	232	251
East Midlands	168	186	206	232	257
West Midlands	191	198	222	267	264
East	156	165	178	202	238
London	227	232	241	268	248
South East	163	179	195	206	231
South West	167	171	190	219	248
England	183	193	210	236	250
Scotland	2	2	3	4	7
Wales	32	37	45	65	79
Northern Ireland	-	1	1	4	4
UK identifiable expenditure	155	164	179	201	214

13.22 The functional analyses of spending in **Table 8** are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in Chapter A of the CRA October 2011 release. These are not the same as the strategic priorities shown elsewhere in the report.

Table 8 Total identifiable expenditure on services by function, country and region, for 2010-11 *Data in this table are National Statistics £m*

Data in this table are National Statistics	**North East**	**North West**	**Yorkshire and the Humber**	**East Midlands**	**West Midlands**	**East**	**London**	**South East**	**South West**	**England**	**Scotland**	**Wales**	**Northern Ireland**	**UK identifiable expenditure**	**Outside UK**	**Total Identifiable expenditure**	**Not Identifiable**	**Totals**
Public order and safety																		
Law courts	7.3	16.9	14.4	8.2	11.6	8.8	16.1	13.8	9.3	106.5	0.0	0.0	0.0	106.5	0.0	106.5	0.0	106.5
Total public order and safety	7.3	16.9	14.4	8.2	11.6	8.8	16.1	13.8	9.3	106.5	0.0	0.0	0.0	106.5	0.0	106.5	0.0	106.5
Education																		
Pre-primary and primary education	6.9	11.7	15.0	10.1	11.0	10.3	30.4	14.5	11.4	121.4	0.0	0.0	0.0	121.4	0.0	121.4	0.0	121.4
of which: primary education	*3.1*	*4.2*	*8.0*	*3.6*	*3.6*	*3.8*	*6.8*	*4.6*	*4.9*	*42.5*	*0.0*	*0.0*	*0.0*	*42.5*	*0.0*	*42.5*	0.0	*42.5*
of which: under fives	*3.9*	*7.6*	*7.0*	*6.5*	*7.4*	*6.5*	*23.6*	*10.0*	*6.5*	*78.8*	*0.0*	*0.0*	*0.0*	*78.8*	*0.0*	*78.8*	0.0	*78.8*
Secondary education	433.1	1,173.1	824.4	703.6	914.1	937.0	1,458.8	1,307.3	781.7	8,533.2	0.0	0.0	0.0	8,533.2	0.0	8,533.2	0.0	8,533.2
Subsidiary services to education	18.1	48.6	37.1	31.5	38.3	40.7	54.7	59.4	37.0	365.3	0.0	0.0	0.0	365.3	0.0	365.3	0.0	365.3
Education n.e.c	64.4	187.8	126.2	108.8	176.9	140.3	311.0	206.0	131.4	1,452.8	0.8	4.3	0.3	1,458.2	2.6	1,460.9	0.0	1,460.9
Total education	522.7	1,421.1	1,002.6	854.0	1,140.3	1,128.3	1,854.9	1,587.2	961.5	10,472.7	0.8	4.3	0.3	10,478.1	2.6	10,480.7	0.0	10,480.7
Social protection																		
Sickness and disability	51.1	131.1	98.1	80.5	100.1	93.5	76.9	139.0	105.2	875.6	6.7	70.4	0.6	953.4	19.6	973.0	0.0	973.0
of which: incapacity, disability and injury benefits	*51.1*	*131.1*	*98.1*	*80.5*	*100.1*	*93.5*	*76.9*	*139.0*	*105.2*	*875.6*	*6.7*	*70.4*	*0.6*	*953.4*	*19.6*	*973.0*	0.0	*973.0*
Old age	81.0	187.6	151.4	150.9	130.1	100.4	-81.9	158.6	171.2	1,049.3	24.5	135.1	2.4	1,211.2	68.4	1,279.6	0.0	1,279.6
of which: pensions	*81.0*	*187.6*	*151.4*	*150.9*	*130.1*	*100.4*	*-81.9*	*158.6*	*171.2*	*1,049.3*	*24.5*	*135.1*	*2.4*	*1,211.2*	*68.4*	*1,279.6*	0.0	*1,279.6*
Survivors	16.1	41.4	31.0	25.4	31.6	29.5	24.3	43.9	33.2	276.4	2.1	22.2	0.2	300.9	6.2	307.1	0.0	307.1
of which: widow's benefits	*16.1*	*41.4*	*31.0*	*25.4*	*31.6*	*29.5*	*24.3*	*43.9*	*33.2*	*276.4*	*2.1*	*22.2*	*0.2*	*300.9*	*6.2*	*307.1*	0.0	*307.1*
Family and children	21.0	39.7	29.1	30.9	23.2	25.5	49.2	25.3	24.4	268.3	2.1	5.7	4.4	280.6	0.0	280.6	0.0	280.6
of which: family benefits, income support and tax credits	*0.6*	*1.3*	*1.0*	*0.9*	*1.0*	*1.1*	*1.4*	*1.5*	*1.0*	*9.8*	*0.0*	*0.0*	*0.0*	*9.8*	*0.0*	*9.8*	0.0	*9.8*

Data in this table are National Statistics	**North East**	**North West**	**Yorkshire and the Humber**	**East Midlands**	**West Midlands**	**East**	**London**	**South East**	**South West**	**England**	**Scotland**	**Wales**	**Northern Ireland**	**UK identifiable expenditure**	**Outside UK**	**Total Identifiable expenditure**	**Not Identifiable**	**Totals**
of which: personal social services (family and children)	*20.4*	*38.4*	*28.1*	*30.0*	*22.2*	*24.4*	*47.8*	*23.8*	*23.3*	*258.5*	*2.1*	*5.7*	*4.4*	*270.8*	*0.0*	*270.8*	0.0	*270.8*
Social protection n.e.c.	0.6	1.7	1.3	1.0	1.3	1.4	1.8	2.0	1.3	12.3	0.2	0.1	0.0	12.6	0.1	12.8	0.0	12.8
Total social protection	169.9	401.5	311.0	288.7	286.4	250.3	70.2	368.8	335.2	2,481.8	35.6	233.6	7.6	2,758.7	94.4	2,853.1	0.0	2,853.1
TOTAL DEPARTMENT FOR EDUCATION	**699.8**	**1,839.5**	**1,328.0**	**1,150.8**	**1,438.2**	**1,387.4**	**1,941.2**	**1,969.8**	**1,306.1**	**13,061.0**	**36.4**	**238.0**	**7.9**	**13,343.2**	**97.0**	**13,440.3**	**0.0**	**13,440.3**

Financial Performance: Quarterly Data Summary (QDS)

13.23 The following table is drawn from the QDS which, as mentioned earlier, is sponsored by Cabinet Office to support the Government's Transparency agenda. Figures below are based on budget data and may not reconcile back to the accounts.

BUDGET £m	**2011-12**	**2010-11**
Total Departmental Expenditure Limit (DEL)	56,203	58,399
of which Resource DEL (excl. Depreciation)	51,107	51,238
of which the 5 main elements are:		
School Grants – Local Authority *	32,807	35,329
YPLA Pre 16 Academies – Central Government *	5,289	3,791
YPLA 16-19 – Central Government **	4,085	3,028
Early Intervention Grant – Local Authority***	2,219	-
YPLA Maintained Sixth Forms – Local Authority ****	1,585	4,377
Purchase of goods and services within Resource DEL	826	570
Payroll within Resource DEL	363	406
Grants within Resource DEL	48,334	49,616
of which Capital DEL	5,064	7,127
of which the 5 main elements are:		
PfS Devolved Capital – Local Authority	2,635	1,085
PfS BSF through Local Authority	1,204	7,378
PfS Targeted Capital – Local Authority	809	951
Targeted Support to Vulnerable Young People – Central Government	97	72
PfS Targeted Capital – Central Government	92	21

***** As more Academies open, more funding is paid directly to them rather than to Local Authorities via the Dedicated Schools Grant.

****** Funding for post 16s in Academies has risen significantly because of the increased number of academies opening.

******* Early Intervention Grant replaced a number of centrally directed grants to support services for children, young people and families.

******** The number of sixth forms in maintained schools has decreased as the number in academies has increased.

14. Investment

14.1 In 2011-12, the Department provided funding for additional school places and for the maintenance of the schools and sixth form colleges estates, as well as for early years and for young people. There was continued investment in the Building Schools for the Future (BSF) and Academy projects that were approved in CSR07. 127 schools with new and refurbished buildings opened in 2011-12, benefitting from strategic capital investment through the Free Schools, BSF and Academies programmes.

14.2 On 5 July 2010, it was announced that the BSF programme was to be closed to projects which had not reached financial close or final business case, whilst other Academy projects were also halted to allow time for further consideration. The decision to cancel BSF projects was challenged by six Local Authorities, who sought a judicial review (JR) on grounds of irrationality, failure to consult, failure to have due regard for equalities and that there was an substantive legitimate expectation that they would receive funding for their schemes.

14.3 On 11 February 2011, Mr Justice Holman ruled that the Secretary of State won on the legal points of irrationality and substantive legitimate expectation and the decision to stop the programme had been lawful. The Judge ruled in favour of the claimants on failure to consult and to consider the equality impact. The Judge ruled that the Secretary of State should reconsider his decision after representations from the six authorities, The consultation launched by the Secretary of State with the claimant authorities is in progress.

14.4 On 3 November the Secretary of State announced that his final decision was not to fund the schools in the claim but, instead, to fund, in capital grant, the value of the claimant authorities proven contractual liabilities.

Myplace

14.5 The Department is continuing to invest in the Myplace programme. Managed by the Big Lottery Fund, Myplace is providing capital grant awards of between £1 million and £5 million to develop world class youth centres in some of the most deprived areas of the country. These centres will encourage more young people at risk of negative outcomes to take part in out of school activities and access advice or support as and when they need it. Projects are being led by a variety of organisations, ranging from large top tier local authorities to small voluntary and community sector organisations. All projects are required to have real youth involvement, extensive partnership working and enterprising business development plans and during 2012-13 the Department is supporting the development of a self-reliant, resilient and mutually supportive network of Myplace leaders to ensure centres long-term sustainability.

Private Finance Initiatives, Public Private Partnerships

14.6 The department has responded to HM Treasury's Call for Evidence on PFI Reform and continues to work closely with them on PFI matters. The Priority Schools Building Programme (PSBP) is a new, privately financed programme to fund the replacement of existing schools in England that are in the worst condition. PSBP is aligned to the Treasury reforms and will be more flexible, more transparent and provide cost effective delivery of services.

Spending Review 2010

14.7 The spending review settlement announced a capital allocation of £15.8 billion across the period (2011-15), with an additional £125.9 million in 2011-12 to provide support for University Technical Colleges and other needs. By 2014-15, annual capital funding will be cut by 60% in real terms; the ongoing elements of BSF and Academies carry a significant forward commitment into the new spending review period.

14.8 In July 2010, the Secretary of State commissioned an independent review of all the department's capital programmes from Sebastian James. The aim is to ensure that capital will be used for priority needs and that the greatest possible number of children will benefit. Mr James delivered his report and it was published on 7 April. It is available at: http://media.education.gov.uk/assets/files/pdf/c/capital%20review%20final%20report%20april%202011.pdf

14.9 On 19 July 2011, the Secretary of State provided an initial response to the review of education capital, broadly accepting Mr James's recommendations, subject to a consultation which closed 11 October 2011. The detailed responses to the consultation are being analysed and will shape our approach to implementing the recommendations.

Autumn Statement 2011

14.10 In November 2011, the Chancellor announced £600 million of funding for 100 additional Free Schools, alongside an extra £600 million for local authorities with the greatest pressure on school places. In April 2012 the Secretary of State announced that the additional funding for school places would be allocated to local authorities in full in 2012-13, and how much each local authority would receive.

14.11 In December 2011, the Secretary of State announced detailed allocations of funding to local authorities and schools for 2012-13, with prioritisation of the provision of additional school places where they are needed, and addressing the worst condition needs.

Remuneration Report

Part A: Unaudited

15. Ministers' and other board members' remuneration policy

15.1 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*.

15.2 The Permanent Secretary's pay is set by the Prime Minister on the recommendation of the Permanent Secretaries Remuneration Committee. The Committee's membership comprises the Chairman of the Senior Salaries Review Body (SSRB) (who acts as chair), two other members of the SSRB, the Cabinet Secretary and the Permanent Secretary of HM Treasury.

15.3 The pay of Senior Civil Servants (SCS) in DfE is decided by the SCS Pay Committee, chaired by the Permanent Secretary, and comprising members of the Executive Management Board. The SCS Pay Committee makes decisions within the limits and delegated authorities set by the Government in response to the annual report of the Senior Salaries Review Body (SSRB). The Permanent Secretary meets separately with a non-executive member to determine the pay of board members.

15.4 Performance management and reward policy for members of the Senior Civil Service including board members is managed within the central framework set by the Cabinet Office. It allows for annual performance related base pay and bonus awards, agreed centrally each year following SSRB recommendations. The Senior Civil Service Performance Management and Reward principles for 2011-12, which include explanations of how base pay and bonus levels are determined and their relative value, can be found at: www.civilservice.gov.uk. The SCS performance bonuses are allocated from a central salary 'pot' expressed as a percentage of the Department's SCS salary bill, which is agreed centrally each year following the SSRB recommendations. In 2011-12 this 'pot' was limited by the Cabinet Office to less than 5% (2010-11 5%) of the total SCS salary bill from which individuals were awarded varying amounts, dependent on performance.

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

15.5 The permanent head of the Department (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.

15.6 Members of the Executive Management Board are appointed by the Permanent Secretary with the agreement of the Prime Minister and the Senior Leadership Committee where appropriate, which consists of Permanent Secretaries from across Whitehall and is chaired by the Cabinet Secretary.

15.7 All board members contractual terms comply with the requirements set centrally for the Senior Civil Service by Cabinet Office, and the exact terms offered reflect the requirement of the post. The principles governing recruitment to, and departure from the Civil Service, including details of compensation for early termination, are set out in the Civil Service Management Code at www.civilservice.gov.uk

Service contracts

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

15.9 Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

Part B: Audited

16. Remuneration (including salary) and Pension Entitlements

Remuneration (Salary and Payments in Kind)

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

Ministers			**2011-12**			**2010-11**
	Salary £	**Benefits in kind (rounded to nearest £100)**	**Total**	**Salary £**	**Benefits in kind (rounded to nearest £100)**	**Total**
Secretary of State						
Rt Hon Michael GOVE MP *(from 12 May 2010)*	68,827	–	68,827	61,056[1]	–	61,056[1]
Ministers of State						
Nick GIBB MP *(from 13 May 2010)*	33,002	–	33,002	29,187[2]	–	29,187[2]
Sarah TEATHER MP *(from 13 May 2010)*	33,002	–	33,002	29,187[2]	–	29,187[2]
John HAYES MP[5] *(from 21 July 2010)*	–	–	–	–	–	–
Parliamentary Under Secretary of State						
Tim LOUGHTON MP *(from 14 May 2010)*	23,697	–	23,697	20,894[3]	–	20,894[3]
Lord Hill of OAREFORD CBE *(from 14 May 2010)*	105,076	–	105,076	92,648[4]	–	92,648[4]

1 Figure quoted is for period 12 May 2010 to 31 March 2011. Full year equivalent is £68,827.

2 Figure quoted is for period 13 May 2010 to 31 March 2011. Full year equivalent is £33,002.

3 Figure quoted is for period 14 May 2010 to 31 March 2011. Full year equivalent is £23,697.

4 Figure quoted is for period 14 May 2010 to 31 March 2011. Full year equivalent is £105,076.

5 Joint post as a Minister of State; paid by Business, Innovation and Skills (BIS) and disclosed in their Annual Report and Accounts. Appointed 21 July 2010.

Officials				2011-12				2010-11
	Salary £000	Bonus £000	Benefits in kind (rounded to nearest £100)	Total	Salary £000	Bonus £000	Benefits in kind (rounded to nearest £100)	Total
Permanent Secretary								
Chris WORMALD[6] *(from 26 March 2012)*	0-5	–	–	0-5	–	–	–	–
Directors General-								
Mr Tom JEFFERY[7]	140-145	–	–	140-145	140-145	10-15	-	155-160
Mr Andrew MCCULLY[8] *(from 1 November 2011)*	45-50	–	–	45-50	–	–	–	–
Mr Stephen MEEK[9] *(from 1 January 2012)*	25-30	–	–	25-30	–	–	–	–
Finance Director								
Mr Simon PARKES[10] *(from 1 August 2011)*	115-120	–	12,900	130-135	–	–	–	–

Other Officials				2011-12				2010-11
	Salary £000	Bonus £000	Benefits in kind (rounded to nearest £100)	Total	Salary £000	Bonus £000	Benefits in kind (rounded to nearest £100)	Total
Former Permanent Secretary								
Sir David BELL[11] *(to 31 December 2011)*	135-140	–	100	135-140	180-185	–	100	180-185
Former Directors General							–	
Ms Lesley LONGSTONE[12] *(to 31 October 2011)*	80-85	–	–	80-85	140-145	10-15	–	155-160
Ms Susan HIGGINS[13] *(to 31 July 2011)*	45-50	–	–	45-50	135-140	5-10	–	145-150
Mr Jon COLES[14] *(to 31 December 2011)*	105-110	–	–	105-110	135-140	10-15	900	155-160
Mr Paul KISSACK[15] *(from 17 December 2011 to 25 March 2012)*	25-30	–	–	25-30	–	–	–	–
Band of highest paid Directors total				195-200				180-185
Median Total Remuneration				33,997				33,548
Ratio				5.8				5.5

6 Transferred from the Cabinet Office on 26 March 2012. Salary relating to 26 March to 31 March 2012 was paid by Cabinet Office; Full year equivalent is £160,000 to £165,000.

7 Acting Permanent Secretary between 1 January 2012 and 25 March 2012 reflected in the above figures.

8 Figure quoted is for the period 1 November 2011 to 31 March 2012. Full year equivalent is £115,000 to £120,000.

9 Figure quoted is for the period 1 January 2012 to 31 March 2012. Full year equivalent is£115,000 to 120,000.

10 Figure quoted is for the period 1 August 2011 to 31 March 2012. Full year equivalent is salary £135,000, annualised taxable allowances of £42,822, annualised benefit in kind of £19,300 giving a total annualised remuneration of £195,000 to £200,000.

11 Figure quoted is for the period 1April 2011 to 31 December 2011. Full year equivalent is £180,000 to £185,000.

12 Figure quoted is for the period 1April 2011 to 31 October 2011. Full year equivalent is £135,000 to £140,000.

13Figure quoted is for the period 1April 2011 to 31 July 2011. Full year equivalent is £135,000 to £140,000.

14Figure quoted is for the period 1 April 2011 to 31 December 2011. Full year equivalent is £135,000 to £140,000.

15Figure quoted is for the period 17 December 2011 to 25 March 2012. Full year equivalent is £105,000 to £110,000.

Salary

16.2 'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP (£65,738 from 1 April 2010), 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.

16.3 None of the non-executive board received any remuneration from the Department, other than Dame Sue John who received £18,750 remuneration from the Department of which £3,750 related to 2010-11.

16.4 The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument.

Benefit in Kind

17.5 During the year one member and one former member of the Board received benefits in kind. Simon Parkes received payments to cover costs of living away from his permanent office; reimbursement covers travel, rent and associated utility expenses. In line with Departmental policy all claims for reimbursement must be evidenced. Sir David Bell, former Permanent Secretary, received an interest free advance for the purchase of a season ticket which has been fully repaid.

Bonuses

16.6 Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2010-11 relate to the performance in 2009-10. No bonuses were payable in 2011-12.

Pension Benefits

Ministers	**Accrued pension at age 65 at 31/03/12 £000**	**Real increase in pension at age 65 £000**	**CETV at 31/03/12 £000**	**CETV at 31/03/11 £000[2]**	**Real increase inCETV £000**
Secretary of State					
Rt. Hon Michael GOVE MP	0-5	0-2.5	32	14	9
Ministers of State					
Nick GIBB MP	0-5	0-2.5	24	12	7
Sarah TEATHER MP	0-5	0-2.5	13	6	3
John HAYES MP[1]	–	–	–	–	–
Parliamentary Under Secretary of State					
Tim LOUGHTON MP	0-5	0-2.5	17	8	5
Lord Hill of OAREFORD CBE	0-5	0-2.5	45	21	14

1 Joint post as Minister of State and disclosed by Business, Innovation and Skills (BIS).

2 CETV values are stated at the beginning of the period, or the start date where later.

Ministerial Pensions

16.7 Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

16.8 Those Ministers who are Members of Parliament may also accrue an MPs' pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of member contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

16.9 Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from Ministerial office from age 65. Pensions are re-valued annually in line with the Pensions Increase legislation. From 1 April 2009 members pay contributions of 5.9% of their Ministerial salary if they have opted for the 1/60th accrual rate, 7.9% of salary if they have opted for the 1/50th accrual rate or 11.9% of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution of 28.7% of the Ministerial salary paid by the Exchequer representing the balance of cost as advised by the Government Actuary. Increases to member and Exchequer contributions will apply from 1 April 2012.

16.10 The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

The Cash Equivalent Transfer Value (CETV)

16.11 This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any 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

16.12 This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

Officials	Accrued pension at pension age as at 31/03/12 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/12 £000	CETV at 31/03/11[3] £000	Real increase in CETV £000	Employer contribution to Partnership pension account (nearest £100)
Permanent Secretary						
Chris WORMALD[2] *(from 26 March 2012)*	40-45 plus lump sum 0-5	0-2.5 plus lump sum 0-2.5	508	497	11	-
Directors General						
Mr Tom JEFFERY *Director General*	55-60 plus lump sum 165-170	0-2.5 plus lump sum 0-2.5	1,238	1,163	-	-
Mr Andrew MCCULLY[4] *(from 1 November 2011)*	35-40 plus lump sum 65-70	0-2.5 plus lump sum 0-2.5	608	558	20	-
Mr Stephen MEEK[5] *(from 1 January 2012)*	25-30 plus lump sum 75-80	0-2.5 plus lump sum 0-2.5	406	392	9	-
Finance Director						
Mr Simon PARKES[6] *(from 1 August 2011)*	15-20 plus lump sum 0-5	0-2.5 plus lump sum 0-2.5	217	194	7	-

Other Officials	Accrued pension at pension age as at 31/03/12 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/12 £000	CETV at 31/03/11[3] £000	Real increase in CETV £000	Employer contribution to Partnership pension account (nearest £100)
Former Permanent Secretary						
Sir David BELL *(to 31 December 2011)*	55-60 plus lump sum 175-180	0-2.5 plus lump sum 0-2.5	1,087	1,056	-	-
Directors General						
Mr Jon COLES *Director General (to 31 December 2011)*	25-30 plus lump sum 80-85	0-2.5plus lump sum 2.5-5	352	314	13	-
Ms Lesley LONGSTONE *Director General (to 31 October 2011)*	40-45 plus lump sum 125-130	0-2.5 plus lump sum 0-2.5	655	639	-	-
Ms Susan HIGGINS[3] *Director General (to 31 October 2011)*	70-75 plus lump sum 0-5	0-2.5 plus lump sum 0-2.5	772	743	-	-
Mr Paul KISSACK *Director General (from 17 December to 25 March 12)*	15-20 plus lump sum 45-50	0-2.5 plus lump sum 2.5-5	176	160	13	-

2 Transferred from Cabinet Office on 26 March 2012; The above pension information will also be included in the accounts of the Cabinet Office and has been included here for completeness of the Departments disclosure and transparency requirements. The CETV is from 26 March 2012.

3 The actuarial factors used to calculate CETVs were changed in 2011-12. The CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors for consistency. The CETV at 31/3/11 therefore differs from the corresponding figures in last year's report which was calculated using previous factors.

4 CETV is from 1 November 2011.

5 CETV is from 1 January 2012.

6 CETV is from 1 August 2011.

Civil Service Pension

16.13 Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

16.14 Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2012. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pension Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

16.15 The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

16.16 The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**. Further details about the Civil Service pension arrangements can be found at the website http://civilservice.gov.uk/pensions.

The real increase in CETV

16.17 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.

Hutton Review of Fair Pay

16.18 Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid employee in their organisation and the median remuneration of the organisation's workforce (see table at 16.1).

16.19 The annualised banded remuneration of the highest-paid director in the Department in the financial year 2011-12 was £195k – £200k (2010-11, £180k – £185k). This was 5.8 times (2010-11, 5.5) the median remuneration of the workforce, which was £33,997 (2010-11, £33,548).

16.20 In 2011-12, no employees (2010-11, no employees) received remuneration in excess of the highest-paid director.

16.21 Total remuneration for the highest paid employee includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions. The calculation for the median salary does not include any benefits in kind or severance payments.

Chris Wormald 12 July 2012
Accounting Officer

Statement of Accounting Officer's Responsibilities

17.1 Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Department for Education to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the department (inclusive of its executive agencies) and its sponsored non-departmental and other arms length public bodies designated by order made under the GRAA by Statutory Instrument 2011/723 (together known as the 'departmental group', consisting of the department and sponsored bodies listed at note 25 to the accounts).

17.2 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 net resource outturn, resources applied to objectives, recognized gains and losses and cash flows of the departmental group for the financial year.

17.3 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:

- observe the Accounts Direction issued by the Treasury, 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 and other arms length 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; and
- prepare the accounts on a going concern basis.

17.4 HM Treasury has appointed the Permanent Head of the department as Accounting Officer of the Department of Education.

17.5 The Accounting Officer of the department has also appointed the Chief Executives *[or equivalents]* of its sponsored non-departmental and other arms length public bodies as Accounting Officers of those bodies. The Accounting Officer of the department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

17.6 The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the department or non-departmental or other arms length public bodies for which the Accounting Officer is responsible, are set out in *Managing Public Money* published by HM Treasury.

Governance Statement for the year to 31 March 2012

Scope of responsibility

17.7 I became Permanent Secretary and Accounting Officer of the Department for Education on 26 March 2012, following the departure of Sir David Bell on 16 December 2011 and the interim appointment of Tom Jeffery from 17 December 2011 to 25 March 2012. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Departmental policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money.*

17.8 The Chief Executives of those non-departmental public bodies (NDPBs) sponsored by the Department and the Standards and Testing Agency (an Executive Agency of the Department established on 3 October 2011), are responsible for the maintenance and operation of the system of internal control in their area as set out in each letter of delegated accountability. In all cases where statutory accounts are produced by sponsored bodies the Chief Executive Officers have signed a governance statement outlining their internal control systems.

17.9 A further three Executive Agencies (EAs) commenced operations on 2 April 2012: the Education and Funding Agency; the Teaching Agency; and the National College for School Leadership. The four EAs will deliver a significant element of the Department's business in 2012-13.

The Board Structure

17.10 The **Departmental Board** provides strategic and operational leadership of the Department, by bringing together Ministerial and official leaders with Non-Executive Members from outside government. The Board is chaired by the Secretary of State and its membership includes the Ministers, the Permanent Secretary, all Directors General, the Director of Finance and Commercial, the Director of Strategy and Performance and the Non-Executive Members. Attendance during the year at the Board meetings and conference days was:

Board Member	Meetings attended	Out of a possible
Ministers		
Rt Hon Michael Gove MP	10	11
Sarah Teather MP	7	11
Nick Gibb MP	10	11
Tim Loughton MP	10	11
Lord Hill of Oareford	8	11
John Hayes MP	1	11
Non executive Board Members		
John Nash	10	11
Theodore Agnew	10	11
Anthony Salz	10	10
Dame Sue John	8	10
Officials		
Sir David Bell	9	9
Jon Coles	8	9
Sue Higgins	6	6
Tom Jeffery	11	11
Lesley Longstone	6	7
Lucy Smith	10	11
Andrew McCully	4	4
Simon Parkes	3	5
Paul Kissack	2	2
Stephen Meek	2	2

17.11 The Board meets every six weeks and operates collectively by advising on: strategic issues and the deliverability of policies; and scrutinising and challenging the Department on its performance and on how well it is achieving its objectives. The Board advises on and supervises five main areas: the Department's strategic clarity, use of financial and human resources, Departmental capability, and the Departmental business plan and management information on Departmental performance.

17.12 The Board and its committees have been fully quorate for all bar one meeting of DARAC, in September 2011. Apologies from one member were received too late to cancel the meeting; arrangements were made for the minutes to be circulated and ratified by the full membership after the meeting. A meeting scheduled for January 2012 was cancelled as it would not have been quorate.

Compliance with the Corporate Governance in Central Government Departments: Code of Good Practice

17.13 The Board and its committees considered a broad range of issues, such as Board sub-committee reports covering cross government working, accountability, Ofsted and other inspections. The Department is either compliant or part-compliant with the requirements set out in the 'Corporate Governance in Central Government Departments: Code of Practice'. The main areas where the Department is currently part-compliant are outlined and explained below:

- The effectiveness of the Department's risk management system and procedures and its internal controls has been discussed at DARAC. The Performance Committee and Executive Management Board also consider the Department's Strategic Risk Register and the Department's Risk Appetite. Oral reports from these committees on key issues are reported to the Board; however, risk management has not yet featured as a sole agenda item. Following the recent evaluation of the Board's effectiveness and that of the supporting sub boards and committees, changes will be made to the Department's corporate governance structure so that the Board's oversight of the effectiveness of the Department's risk management system and procedure and its internal controls is strengthened.
- DARAC meetings have been chaired by the Lead NEBM. It has not however been possible for a second non-executive to attend the Committee on a regular basis. The appointment of an independent finance expert in February has strengthened the committee's ability to fulfil its role and the planned appointment of the EFA Audit Committee Chair should strengthen this further.
- The Head of Internal Audit has yet to be invited to attend Board meetings where key issues are discussed relating to governance, risk management or internal control. Plans are, however, in place to address this.
- The non-ministerial departments (Ofqual and Ofsted), the Department's NDPBs all have or, for those which closed in 2011-12, had their own governance arrangements. Whilst their delivery is monitored by the Department and concerns escalated as necessary, their performance as regulatory bodies is not scrutinised as part of the Board's regular agenda. The transition of a number of the Department's ALBs to Executive Agency status has meant that governance arrangements are in the process of being agreed. To date, it has been agreed that quarterly strategic performance reviews will take place in the Performance Committee with each of the four Executive Agencies to scrutinise performance and Executive Agencies will also report on performance at each Performance Committee. If concerns/issues are raised at Performance Committee these will be escalated to the Board.

17.14 Over March and April 2012, the Board and its committees undertook an assessment of their own performance. Following assessment of the results (results (which are reported in paragraphs 4.19 – 4.21), the main messages will support further work to improve both our internal governance arrangements and the quality of management information supplied to the boards to support their decision making and provision of advice in 2012-13.

17.15 The Board have acknowledged that the introduction of a new Department-wide monthly Finance Report, implemented for 2011-12 to improve data quality, has ensured consistency and availability of management information (MI) and reporting at all levels.

17.16 The In-Year Budgets Movement database, in use throughout 2011-12, has also ensured that budget movements are effectively controlled and correctly reflected on financial systems and this has also contributed to the improvement of MI. Nevertheless, it is acknowledged that further improvement can and should be made and work is in hand to pursue this improvement.

17.17 Board and Committee secretaries hold regular meetings to discuss agenda items and ensure that the main Board is provided with all necessary reports, advice and updates from committees needed to perform its role effectively. For example, the Board meeting on 15 March 2012 was updated on the previous day's discussions at the Delivery Assurance, Risk and Audit Committee on 2012-13 accounts consolidation issues, which for the first time will include Academies.

17.18 New governance arrangements were implemented from 1 April 2011 to drive improvements in the management of the Department. The number and function of the committees established to support the main Board's work reflect the approach and guidelines drawn up by the Cabinet Office but, following some concerns about the remit and coherence of the board structure, it is likely that the roles and inter-relationships will be refined following the current review of their performance. The committees as currently established are described below.

17.19 The **Executive Management Board (EMB)** has a core membership of the Permanent Secretary, the Directors General and, from 1 September 2011, the Director of Finance and Commercial Group. EMB focuses on providing collective and corporate leadership by visibly and transparently:

- taking forward the Department's agreed strategic aims and objectives;
- allocating and managing financial and human resources;
- monitoring performance;
- setting standards and values;
- maintaining a transparent system of effective controls (including internal controls);
- managing risk; and
- leading and overseeing the process of change and innovation to enable the Department to deliver.

17.20 Attendance during the year was:

Board Member	Meetings attended	Out of a possible
Officials		
Sir David Bell	9	9
Jon Coles	5	9
Sue Higgins	4	4
Lesley Longstone	5	7
Tom Jeffery	11	11
Andrew McCully	6	6
Simon Parkes	7	7
Stephen Meek	4	4
Paul Kissack	4	4
Chris Wormald	0	0

17.21 **The Performance Committee** was established in April 2011 to provide detailed challenge and scrutiny of the Department's progress on its performance and delivery of priorities and to report any areas of concern to the main Board. It is chaired by the lead Non-Executive Board Member, and meets every six weeks in advance of the main Board's own six-weekly meetings. Attendance during the year was:

Board Member	Meetings attended	Out of a possible
Non executive Board Members		
John Nash	6	7
Theodore Agnew	7	7
Anthony Salz	6	7
Dame Sue John	5	7
Janet Eilbeck (Finance Independent Member)	1	1
Officials		
Sir David Bell	5	5
Jon Coles	5	5
Sue Higgins	2	2
Lesley Longstone	4	4
Tom Jeffery	6	7
Andrew McCully	3	3
Simon Parkes	4	4
Stephen Meek	2	2
Paul Kissack	2	2
Lucy Smith	6	7

17.22 **The Nominations and Governance Committee** was set up in November 2011 to offer detailed scrutiny, challenge and advice on the Department's capability to meet current and future staffing needs. Key areas of interest include: staff structure, identifying and developing leadership and high potential; scrutinising the incentive structure, succession planning for the Board and senior leadership of the Department; and scrutinising governance arrangements. It is chaired by the lead Non-Executive Board Member and meets quarterly with progress reported, and issues escalated, to the main Board as appropriate. Attendance during the year was:

Board Member	Meetings attended	Out of a possible
Non executive Board Members		
Anthony Salz	2	2
John Nash	2	2
Dame Sue John	1	2
Officials		
Sir David Bell	2	2
Tom Jeffery	1	1
Dawn Jarvis	2	2

17.23 **The Delivery Assurance, Risk and Audit Committee** (DARAC) was established in April 2011. Chaired by the lead Non-Executive Board Member, DARAC provides independent scrutiny and challenge of key delivery programmes and risk areas within the Department. It provides advice to the Accounting Officer and Board on risk management strategies, financial accounts, financial and performance management, as well as internal and external audit. It also acts as an audit committee for the annual report and accounts of the Teachers' Pension Scheme and the STA. Meeting are timetabled around key events such as the approval of the Annual Report and Accounts.

17.24 As part of the current review of the Board and governance structures, measures are being taken to strengthen the DARAC membership and clarify its remit. A financially-qualified and experienced independent member has been appointed to support members in discharging their duties and, in 2012-13, the Chair of the Education Funding Agency's audit committee will join the Committee. Attendance during the year was:

Board Member	Meetings attended	Out of a possible
Non executive Board Members		
Anthony Salz	7	7
John Nash	4	7
Theodore Agnew	5	7
Dame Sue John	3	7
Tony Allen (Independent Member until 30 June 11)	2	2
Janet Eilbeck (Finance Independent Member from 1 March 2012)	1	1

17.25 The Permanent Secretary, Finance Director and Head of Internal Audit also attend most meetings, although they are not formally members of the Committee.

The Risk and Control Framework: Managing Risk

17.26 The EMB owns the Department's Strategic Risk Register (SRR) and agrees the strategic risks to be monitored at a corporate level. EMB reviews the SRR quarterly, considering and commenting on the appropriateness of planned actions and progress. It also mandates additional work or escalates major risks to the DfE Board where necessary.

17.27 This top-down view of risk is underpinned by directorate-led risk identification, management and escalation processes that provide structure across the full range of projects, programmes and work areas in the organisation. The combination of the two approaches ensures that all risks are appropriately addressed and produces a good overview of risk across the Department.

17.28 The Department's Strategy and Performance Group (SPG) provides challenge through the SRR Review Group to ensure that the SRR contains sufficient information for EMB members to reach informed conclusions about the way risks are being managed and if/when they should be escalated to the main Board. This ensures that focus is maintained on those risks identified as having major impacts and potentially serious consequences that could:

- prevent the Department from meeting its priorities;
- severely damage its reputation or credibility; or
- damage the reputation or credibility of its ministers.

17.29 The SRR is fully reviewed and updated each quarter and significant new risks can be escalated at any time.

17.30 The Department's Internal Audit Unit (IAU) reviewed risk management at the end of 2011. Their report, issued on 30 March 2012, stated that arrangements are basically sound and also identified areas for continuous improvement. SPG's Performance Unit is taking the recommendations forward to embed and improve processes across the Department and ensure the escalation and reporting of strategic risks by executive agencies operates effectively.

17.31 The amount of risk the Department is prepared to tolerate varies depending on the nature of the risk, materiality and business priorities. The risk appetite statement is available to all staff on the risk website, along with guidance on the whole area of risk management.

Managing the risk of Financial Loss

17.32 The Department played an active part in the development of the cross-Government *Managing Risk of Financial Loss* programme and is ensuring these principles are reflected in its risk management strategy. All allegations of fraud arising from financial loss are fully investigated in accordance with the Fraud Response Plan; in the nine months to end December 2011, there have been no internal material losses through fraud.

17.33 The incidence of investigations is low but the IAU has been looking into a number of small occurrences, mainly external to the Department itself and, whilst no *actual* loss took place, the potential for loss through fraudulent activity was deemed sufficient to require investigation.

17.34 Two external investigations have been instigated. One is about to be closed with police saying that they have found no evidence of fraud; the second progressed to the Crown Court in April 2012. The defendant pleaded guilty and is awaiting sentence.

Fraud Awareness, Prevention and Investigations

17.35 The Department is proactive in its approach to fraud awareness, prevention, detection and investigation, and has established an *Acting with Integrity* intranet site where all departmental guidance on preventative action to reduce the incidence of fraud and error can be found

17.36 The Departmental Security Officer (DSO) reports annually to DARAC. These reports are supplemented by joint DSO/Internal Audit reports, and also to DARAC, on any incidents of fraud arising in the year. To inform his work, the DSO acted as the Department's Fraud, Error and Debt (FED) Champion, which included supporting the Fraud Sub Committee (FSC) of DARAC in scrutinising and monitoring the arrangements for preventing and tackling fraud.

17.37 FSC meets biannually and is supported by a monthly working group chaired by the FED Champion and attended by key stakeholders across the Department who discuss fraud, loss and counter-fraud activity.

17.38 The DSO also worked closely with the National Fraud Agency (NFA), which is responsible for the Government Fraud Alerts system and acts as the main point of contact for sharing information on known frauds with the National Fraud Investigation Bureau. In 2011-12, the Department and NFA ran a joint fraud risk assessment workshop in support of a particular project and, based on the feedback on its effectiveness, have agreed to run several more which are now being planned.

17.39 The counter-fraud arrangements were proportionate to the nature and experience of the risk in the Department but, from April 2012, given the establishment of the four new executive agencies and the rapidly expanding academy and free schools programmes, the risk profile is expected to change significantly. The FSC is considering how arrangements should be strengthened; the group will meet more regularly and is likely to incorporate elements of the Education Funding Agency's (EFAs) counter-fraud programme and associated governance structure, as EFA will be the largest single element of the Department Group.

17.40 The FED Champion will continue to work to deliver the strategy outlined in *Tackling Fraud and Error in Government*, published by Cabinet Office in February 2012.

17.41 IAU, DSO and EA Chief Executive Officers (CEOs) met to discuss the position in each EA. There is currently only one 'live' fraud investigation and colleagues are liaising on this to ensure the Department has full oversight. In addition YPLA did receive allegations of impropriety and irregularity in relation to the Priory Federation of Academies in Lincolnshire. The EFA, as YPLA's successor, is reviewing what financial recovery should be made from the Federation and how they can improve their internal control over the use of public funds. The current assurance arrangements over academies will be strengthened by changes planned for 2012-13.

17.42 A review of managing the risk of financial loss will be subject to an audit review in 2012-13 and this is also on the DARAC Forward Look agenda.

Business Continuity, Information Management and Security Risk

17.43 Corporate and policy directorate teams have worked with others across Whitehall to review, update, improve and implement the Department's business continuity, crisis management and recovery plans for the delivery system to ensure that they are fit for purpose internally and compliant with the British Standard for Business Continuity Management (BS 25999). An Internal Audit review of our business continuity arrangements in

August 2010 highlighted gaps in the Department's compliance with BS 25999. Following this review, arrangements have been reviewed and actions taken to address the issues raised.

17.44 Information Assurance (encompassing data security) has been a priority area for the Department and its NDPBs. Information Asset Registers and the Information Asset Owner (IAO) community are supported by the Chief Information Officer's Group; all IAOs have access to online training provided by the National School for Government and are required to undergo training and accreditation to Protecting Information Level 2 (PIL2). No significant issues concerning personal data have been reported to the Information Commissioner in 2011-12.

17.45 IAU undertook a compliance review of Information Assurance early in the year and advised that there were no major incidents, breaches or major non-compliance to report. However, they identified ongoing issues concerning compliance with mandatory guidance as well as the need to strengthen the overarching governance arrangements for managing information assurance. Actions are being taken to address the identified deficiencies.

17.46 The Department's 2011-12 annual report on the management of security was submitted to the Cabinet Office in June 2012. It described the risk-based approach the Department takes in complying with the mandatory policies and standards applying to protective security and risk management.

Significant Changes in 2011-12: Structural and Policy Reforms

17.47 A number of policies launched in 2010-11 have impacted the way in which the Department worked and delivered its policies in 2011-12. Particularly worthy of mention are Efficiency Controls, the ALBs' Reform Programme and the further development of the Academies and Free Schools programmes.

Efficiency Controls

17.48 The Efficiency and Reform Group (ERG) in Cabinet Office is charged with taking forward the efficiency and reform agenda across departments. ERG has set out actions and processes which departments should implement in order to drive down costs, and embed more cost-effective methods of working.

17.49 The Department's *Business Insight and Central Policy Division* ensures that Cabinet Office controls on the recruitment of staff, employment of consultants and spending on ICT, publications, marketing and travel are adhered to and that proposals for exemptions are reviewed and cleared in line with ERG requirements.

ALB Reform

17.50 The ALB Reform Programme is implementing the most significant change to the Departmental delivery model and will drive the way in which Departmental policy objectives and priorities are delivered in future. The Department's ALB Reform Group has been building on the work begun in 2010-11 to ensure that we have the right organisations in place. Savings will be made by removing duplication and simplifying our engagement with the education sector.

17.51 Key to this simplification is the closure of 11 of the Department's 17 ALBs. The position is summarised in the table below:

Arms Length Body	Outcome
School Support Staff Negotiating Body	Closed 2010-11
British Educational Communications and Technology Agency	Closed 2010-11
Teachers TV Board	Closed 2010-11
Independent Advisory Group on Teenage Pregnancy	Closed 2010-11
General Teaching Council for England	Closed 2011-12
National College for School Leadership	Closed 2011-12
Partnership for Schools	Closed 2011-12
Children's Workforce Development Council	Closed 2011-12
Training and Development Agency for Schools	Closed 2011-12
Young People's Learning Agency	Closed 2011-12
Qualifications and Curriculum Development Agency	Closed 2011-12
School Teachers' Review Body	Retained
The Office of the Children's Commissioner	Retained
Children and Family Court Advisory and Support Service	Retained: expected to transfer to the Ministry of Justice after 2012-13
School Food Trust	Reclassified by the Office of National Statistics from 1 October 2011 as an independent body with charitable status in the 'not for profit institutions serving households' category

17.52 The responsibilities within the remits of the closed bodies will either cease or will be delivered in 2012-13 by the Department or one of its EAs. Each EA CEO will report on operational matters to the responsible Director General and, as Accounting Officers in their own right, to me as Principal Accounting Officer.

17.53 EAs' Framework Documents set out the arrangements for the governance, accountability, financing, staffing and operation of the agency. They have been agreed between the Secretary of State, responsible Director General and the EA CEO, and approved by HM Treasury and Cabinet Office. The Department's central services are being consolidated to deliver strategic, tactical and transactional corporate services to all of the EAs. This is a closer relationship than was in place with their predecessor ALBs where, whilst ALB delivery was monitored by the Department and concerns escalated as necessary, the departmental Board did not regularly scrutinise their performance.

17.54 Governance arrangements have been put in place to deliver this major change programme, with ALB Reform Group's Director acting as the Senior Responsible Owner for the work. The team liaised with key players in finance, commercial, IT and HR (both Department and ALB staff) to ensure that the transition from seven NDPBs to four EAs was achieved efficiently and effectively. The Department Reform Programme Board met monthly to consider progress and ensure that the work to establish the EAs was successful. The Department expects to deliver significant savings across the Spending Review period through this and related reforms around shared services.

Academies and Free Schools

17.55 The Academies and Free Schools programmes are the Department's most significant recent policy developments. The Academies Act 2010 enabled the Academies Programme to expand beyond the traditional sponsored model; all schools, including primary and special schools, can now apply for conversion to Academy status. On 1 April 2011 there were 629 open Academies; this had risen to 1660 on 31 March 2012. On 1 April 2012 the number of open Academies rose to 1766.

17.56 In September 2011 the first 24 Free Schools opened. These are schools established by parents and/or businesses, funded by the Department but free from local authority control.

17.57 A further 281 applications for Free Schools were received in the second round. The applications have been assessed and 65 applications were agreed by Ministers. They are being taken forward with the expectation of the majority of the 65 schools opening in September 2012.

17.58 These two programmes posed a number of challenges to the Department in terms of gaining assurance on the probity and effectiveness of funding utilisation, and considerable resource and effort had to be employed to ensure the programme foundations were acceptable. Given the government's increasing focus on the importance of transparency, local accountability (where schools and local authorities are allowed enough freedom to be able to react to local needs), and the continuing significant growth of the Academy and Free School programmes, these will continue to be areas requiring close attention.

The Control Regime: Review of effectiveness in an era of localism

17.59 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the Department's Directors General (who have responsibility for the development and maintenance of the internal control framework), Internal Audit, and comments made by the external auditors in their management letter and other reports. I require each Director General, and the heads of certain other units who report directly to me, to sign an annual assurance statement covering risk management, the operation of related controls in their areas of responsibility, and their use of resources allocated to them.

17.60 This supplements the regular reporting to the Board on the stewardship of risks and the End of Year Declarations completed by Budget Managers, which confirm that budgets were spent for the purposes voted by Parliament, within the rules of financial propriety and regularity and with due regard for value for money.

17.61 Assurance declarations were provided for the year 2011-2012 from directors and the main points were incorporated in the Directors General governance statements. These statements and those from NDPBs have been scrutinised by Finance and by the Internal Audit Unit, and further information sought when necessary. The main points recorded in the statements have been summarised in the *Issues arising in the year* section from paragraph 17.87 onwards.

17.62 DARAC provides me with advice and guidance on matters of risk and assurance and will make recommendations on where improvements can be made. DARAC reviews the Annual Report and Accounts, including the Governance Statement, to ensure consistency with its knowledge of the Department.

17.63 I also receive assurance from a range of external sources, such as the Department for Communities and Local Government's (DCLG) Accounting Officer System Statement. DCLG provides the systems via which the Department's grant payments are paid to local authorities, schools and Academies, and I rely on them to maintain the capability and effectiveness of the system.

17.64 Other sources of assurance are local authority Chief Finance (Section 151) officers, individual Academy Accounting Officers, Ofsted, and the Accounting Officers of our NDPBs, who report either directly to me or to me via the Young People's Learning Agency (YPLA) on the probity and appropriateness of the use of Departmental funding allocated to them. Where ALBs of other government departments are in receipt of Department funding, I also look to their 'owning' department to provide me with assurance around the proper use of that money – for example, assurance for funds for 16-18 apprenticeships is provided by the joint DfE/Department for Business, Innovation and Skills Unit, which is turn relies on assurances from the Skills Funding Agency and the National Apprenticeship Service.

17.65 The assurance received from these sources will become increasingly significant as the Government's emphasis on local accountability and the importance of local decision-making in funding allocation becomes properly established in normal business practices.

Controls within YPLA

17.66 A key challenge to providing in-year assurance to both the YPLA Accounting Officer and subsequently to me is that the assurance system design relies heavily on lagged evidence. Whilst it is anticipated that this model will enable EFA, as the successor to YPLA, to provide me with assurance when the Academies Programme has matured, it has proved to be a significant challenge for the assurance team to collate timely evidence to meet the challenges of a rapidly expanding programme. The time constraints set out by Parliament to deliver accounts within the faster closing timetable can only add to that challenge.

17.67 Internal audit teams for both the Department and YPLA have identified that the use of lagged assurance for a new programme creates a challenge around timeliness of an assurance opinion. As part of their audit planning, progress has been monitored closely. I am expecting recommendations on how faster processes, delivering more timely evidence, can be developed for future years.

17.68 For 2011-12, YPLA have concluded that they can give me assurance that the academies applied their funds for the purposes intended. This conclusion is based on:-

- a continuous, rolling programme of assurance visits;
- an ongoing programme of work to visit academies, secure and validate their returns and
- visits to the remaining 1% of academies who have not yet made returns will continue throughout the summer.

17.69 A further issue emerged late in the financial year, concerning payments made by newly-converted Academies covering staff severance. For background: since the establishment of City Technology Colleges in 1988 and then again in the Academies programme, the Government has taken the view that the relationship between it and Academies is set out in the relevant Funding Agreements, and relevant accounts have been prepared every year on that basis. The requirement for such an agreement has been set out in successive Acts of Parliament, most recently in Section 1 of the Academies Act 2010. Section 1(5) of the Academies Act 2010 sets out that Academies are independent.

17.70 In late 2011, as part of a wider discussion of Academy finances, the Treasury queried the fact that Academies had not referred any payments relating to severance to the Treasury for approval, in line with the provisions of Chapter 2 of Managing Public Money (MPM). Section 37 of the Education Act 2002 enables the governing bodies of maintained schools to make these payments without seeking the approval of the local authority. This is consistent with the Funding Agreements that the Department has with Academies, which do not require such payments to be referred either to the Department, or to the Treasury. The Young Peoples' Learning Agency has now identified fourteen instances of payments made by nine academies relating to 2011-12, with an aggregate value of £227,000. The Treasury has confirmed that all of these payments are reasonable and meet its standards for approval.

17.71 Neither I nor the Accounting Officer of the Young Peoples' Learning Agency believes that the cases referred to the Treasury represent the total of all such payments across the Academies sector. Over the course of 2012-13, the Education Funding Agency will work with the Department for Education and the Treasury to agree an approach for severance payments, which reflects the independent nature of Academies, the approach taken in maintained schools and Academies' status as Public Sector bodies within the Central Government boundary.

17.72 For 2011-12: because YPLA's control framework is not designed to provide assurance that academies have complied with MPM and it is unclear how many other such payments may have been made, the YPLA accounts will receive a qualified opinion on this aspect of their assurance framework. The Comptroller and Auditor General will however report an unqualified opinion on the truth and fairness of the financial statements.

17.73 As the YPLA accounts are consolidated with the Department's own, the qualification on the issue of severance payments with also apply to the group accounts.

Accountability Statements

17.74 Accountability Statements have been developed for 2011-12 following cross-government work initiated in February 2011 by Sir Gus O'Donnell, the Cabinet Secretary and Head of the Civil Service. He asked Sir Bob Kerslake, the Permanent Secretary of DCLG, to review the present system of accountability to Parliament and how it might be adapted to take account of the Government's reform and local accountability objectives.

17.75 Sir Bob's report, published in September 2011, proposed that departments should set out in Accountability System Statements the arrangements they have to provide assurance about the probity and value for money in their devolved system. The Government agreed in October 2011 that departments would produce the Statements from summer 2012 and publish them with their Annual Report and Accounts.

17.76 The Department's first Accountability Statement was produced on 31 January 2012 and was considered by the Public Accounts Committee (PAC). On 17 April, the PAC published the statement as an annex to their 79th report entitled "Accountability for Public Money; progress report". It is now being redrafted to take account of the PAC's views and will be published on the Department's website later this year.

Further sources of Assurance

17.77 Assurance is also provided through the Department's Internal Audit Unit work programme. Through the year there have been reviews of risk management, internal control and governance, together with specific programme and thematic reviews covering key risk areas identified with risk managers. EMB receives a regular update on the current and planned work programme, reports of findings, and business progress in resolving management actions.

17.78 I meet the Head of Internal Audit (HIA) monthly to discuss the current activity and to get assurance on the control framework. HIA's annual assurance opinion determines the level of assurance that I can take on the effectiveness of overall governance, risk management and control systems.

17.79 The non-executive Board members have also contributed to the annual report this year, setting out their views on how well the Department is governed, together with their reflections on the Department's delivery performance and progress across the year.

17.80 During the period of the report, no Ministerial Directions (which arise when an Accounting Officer asks for written instructions to take a course of action with which s/he disagrees) have been issued.

18.81 During 2011-12 NAO published three Value for Money relating to the Department. No internal control issues were raised which require comment in this Governance Statement. The studies were:

- Oversight of financial management in local authority maintained schools;
- Oversight of special education for young people aged 16-25; and
- Delivering the free entitlement to education for 3 and 4 year olds.

Shared Service provision

17.82 The Department for Work and Pensions (DWP) has given the Department a letter of assurance from the DWP Accounting Officer covering the shared services they provide. It contains detail on the general aspects of the service provided and specific incidents impacting on that provision.

17.83 Incidents include the delayed availability of the Resource Management system at the opening for business of the Standard Testing Agency (STA), which consequently slipped by one month to October 2011. This led to an interim tactical solution for one month before the full solution could be launched, with associated additional development, testing and launch work.

17.84 The Shared Services team also failed to implement the re-hosting project, which was expected to move the Resource Management platform from one IT provider to another in January 2012. DWP Shared Services and Departmental staffs were put to considerable extra work in handling both issues.

17.85 Oracle Financial Analyser is now unsupported software and this presented a risk to Business As Usual. Officials worked with Shared Services to put mitigations in place through shared business continuity plans, and are continuing to liaise on the development of the Hyperion replacement which will provide the long term countermeasure to the risk. Hyperion is scheduled to be introduced in October 2012.

17.86 The Shared Service providers are themselves undergoing structural changes in 2012-13 and my officials will work closely with them to ensure the continuation of an acceptable level of provision.

Issues arising in the year

17.87 There have been a number of personnel changes amongst senior staff this year, amongst them Sir David Bell, who served as Permanent Secretary for 6 years until leaving in December 2011. The Directors General of the Educational Standards Directorate and Infrastructure and Funding Directorate left in December and October respectively. The Children, Young People and Families Directorate (CYPFD) was also impacted, as Tom Jeffery, the Director General temporarily filled the Permanent Secretary position for three months until I was appointed.

17.88 In each case, an experienced Director has taken up the Director General role following appropriate handover periods. The post of Director General of Finance and Corporate Directorate was abolished when Sue Higgins left in July 2011. As part of this reorganisation Simon Parkes, Finance and Commercial Director, joined the Departmental Board and Executive Management Board.

17.89 The main issues arising in the year centred on the expansion of the Academies and Free Schools Programme and the reform of Arm's Length Bodies.

Academies and Free Schools

17.90 Academies were initially included within the designation order for consolidation in the Department's accounts in 2011-12 but, following lengthy discussion with HM Treasury, it was agreed that their consolidation should be deferred for one year to allow time for the work to be properly managed and implemented. A project board is in place to manage the process. It is attended by key departmental, EFA, HM Treasury staff with NAO officials attending as observers. An Academy representative also sits on the board, to represent the sectors' viewpoint. The first consolidation of Department and Academy accounts will take place in 2012-13, subject to confirmation in the designation order.

17.91 In 2011-12, the rapid development of the programmes gave rise to concerns over the numbers of staff being employed to support them as well as the processes, documentation used and funding regimes. These issues have been kept under constant review by the responsible Directors and staffs were redeployed as required to meet the business pressures.

17.92 During the year the average costs of establishing sponsored Academies and Free Schools was reduced. The reduction was achieved by putting in place framework contracts for specialist expertise, and the introduction of a fast track approach to establishing those Academies with predecessor schools that were under performing but not in need of significant intervention. Further improvements in schools' financial management have led to significant reductions in their forecast 2011-12 expenditure.

17.93 Nevertheless, the demand-led nature of the programme has presented considerable financial management challenges in 2011-12. Significant elements of the budget are dependent on the number of schools that choose to convert, when they choose to do so, and the specific characteristics of each school – for example, the number of pupils and whether they are primary or secondary schools.

17.94 A new Academies Finance and Funding Division was established in July 2011 with a clear remit to engage all internal stakeholders on reviewing and improving our forecasting accuracy, with the result that an initial forecast of £1bn overspend was revised down to £50m underspend. This significant change was in itself a reputational risk for the Department, but the new arrangements mean that much greater confidence can be placed in the effectiveness of the control arrangements around programme spend because of the greater accuracy now seen in the forecast expenditure.

17.95 Officials have been able to develop a new budget monitoring and forecasting tool to support improved financial forecasting and more rapid adjustment to changes in, for example, the numbers of Academy conversions. They have also reviewed the costs of schools voluntarily converting to Academy status, to ensure that they are not escalating.

ALB Reform

17.96 A team specifically dedicated to the task oversaw the transition of staff, accommodation and systems to the new organisational structure (as outlined at paragraph 17.54 above). The STA was successfully established on

1 October 2011, with the only significant issue being the delayed availability of the Shared Services, as described above. The establishment of the remaining three Agencies proceeded in April 2012.

17.97 Related risks centred on the need to ensure that business continuity was protected whilst work transitioned between closing ALBs and the new Executive Agencies or Department as appropriate. The dedicated team mentioned above were supported by a 'virtual' team incorporating finance, commercial, IT and estates specialists who worked together to ensure that all risks and issues were captured and resolutions documented. Progress was reported and tracked at the programme management board.

17.98 The work to close the YPLA and Partnership for Schools (PfS) and transfer responsibilities to the new EFA has been particularly challenging, especially when we needed in tandem to support ongoing business. Business continuity has been protected by implementing contingency arrangements that mean a relatively small number of business critical staff remained on the YPLA estate in April 2012, although they will relocate to Department premises when the business critical systems are available.

17.99 Staff from the two organisations, along with around 35 Department staff, formed the EFA from 1 April 2012. With some 700 staff, EFA is the largest of the new EAs: around one in six of the Department's staff now works in the EFA.

17.100 Other issues have been identified as the programme has developed. These include academy insurance costs, the management of academies' local government pension deficit liabilities, deficits on conversion, and academies' desire to borrow money on a similar basis to other schools. Discussions are taking place with HM Treasury, DCLG (on local government pension issues) and Ministers to develop and promulgate clear policies to ensure that Academies are not disadvantaged by converting.

17.101 Other issues of note for 2011-12 are set out below.

17.102 The accounting arrangements for two pension liabilities were reviewed. These liabilities are old, pre-dating the introduction of Resource Accounts in government and should have been identified at that time. The liability has always been paid and charged to the Statement of Comprehensive Net Expenditure (SOCNE) but the control regime has changed significantly in the intervening years and, following discussions with the Department's audit committee (DARAC) and the NAO, it is now appropriate to set up a provision of £80 million in 2011-12 to account for them. Additional work will be undertaken in 2012-13 to firm up the estimate of the future liability. The liabilities were in respect of:

(i) Payment of retirement compensation for teachers in ex grant-maintained schools which the Department is funding, and;

(ii) Pension liability for ex-employees of the Schools Council, Training Commission and other ex-NDPBs, which the Department is making contributions towards.

17.103 The Department had a small Annually Managed Expenditure (AME) budget in 2011-12. The creation of this provision means that we have breached the AME control total and will result in a technical qualification for the Department. This does not impact upon the 'true and fair' view of the financial statements.

17.104 The capital settlement for the Spending Review period was extremely tight and pressures resulted on the Free School and Basic Need (school places) programmes. This was addressed by the establishment of a capital project (involving the Department, Cabinet Office and HM Treasury) to identify and develop options to mitigate capital pressures. The report was followed by:

17.105 Secretary of State announcing £600m additional funding for Basic Needs; A £2.7bn privately financed programme (the Priority School Building Programme) intended to address those schools most in need of capital investment; and An additional £1.2bn capital funding announced in the Autumn Statement.

17.106 The Building Schools for the Future programme has now been closed, but work continues on the projects already in hand. PfS worked with local authorities and schools to reduce the costs of building work underway or about to start, so that savings can be redirected to where they are most needed. That work is being continued in 2012-13 by the EFA (which formed from the merger of YPLA and PfS).

17.107 Industrial relations between the Department and school workforce trade unions has been challenging during the year, following Government announcements on pensions reforms, public sector job losses and changes in pay and conditions. Industrial action did cause some disruption to education, and school staff morale has suffered. We anticipate that there will be some destabilising of the school workforce and consequences for recruitment and retention as a result.

17.108 After a critical internal audit review of the initial grant allocation process to the voluntary and community sector, action was taken to improve guidance to grant managers on due diligence, financial scrutiny, value for money and risk assessment.

17.109 Finally, the complexity and subsequent delay in the National Curriculum Review has given rise to problems on staffing on that review and the GCSE review planned to follow it. Although this remains a high risk area, a more flexible and agile approach to keeping the programme on track is being developed.

17.110 As Accounting Officer, other than for the issues mentioned above, I am satisfied that the Department and its NDPBs comply with Treasury's requirements on risk management, internal control and governance, and that prompt remedial action has been taken to address issues that have arisen throughout the period under review.

Chris Wormald
Accounting Officer

12 July 2012

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

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 2012 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and the Standards and Testing Agency. 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 2011. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's and the Departmental Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for Qualified Opinion on regularity

Parliament authorised an Annually Managed Resource Expenditure limit for the Department for Education of £1,007,000. Against this limit, the Department for Education achieved net expenditure of £63,634,000, therefore breaching the authorised limit by £62,627,000 as shown in the Statement of Parliamentary Supply.

In addition, the Department, through the Young People's Learning Agency (YPLA), an executive non-departmental public body within the Departmental group, provides funding to Academy trusts for their activities. As central government bodies, academies are required to comply with HM Treasury's Managing Public Money and therefore YPLA need to obtain assurance that the funds provided are spent in line with those requirements. YPLA's control framework is not designed to provide assurance that HM Treasury's Managing Public Money has been complied with by academies. Accordingly, I have been unable to confirm that, in all material respects, grants to academies are in conformity with the authorities which govern them and have been applied for the purposes intended by Parliament.

For these reasons I have qualified my opinion on regularity.

Qualified Opinion on regularity

In my opinion, except for the matters described in the basis for qualified opinion on regularity paragraph, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2012 and shows that those totals have not been exceeded; and
- 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.

More details of the reasons for my qualified audit opinion are set out in my report on pages 63 to 66.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2012 and of the Department's net operating cost and Departmental Group's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP 13 July 2012

Report of the Comptroller and Auditor General to the Houses of Parliament

Introduction

1. The Department for Education (the Department) Annual Report and Accounts for 2011-12 report a net operating cost of some £56.2 billion which includes some £55.0 billion of resource and capital grants paid to local authorities, academies and other bodies.

2. The Department is required to prepare its financial statements in accordance with the Government Financial Reporting Manual (FReM). Under the FReM, the Department is required to apply International Financial Reporting Standards (IFRS) adapted or interpreted for the public sector.

3. Under the Government Resources and Accounts Act 2000, I am required to examine, certify and report on the financial statements of the Department. This involves satisfying myself that, in all material respects, the expenditure and income shown in the financial statements have been applied to the purposes intended by Parliament and conform to the authorities which govern them (regularity).

Purpose of Report

4. The net expenditure of government departments is authorised by Acts of Parliament. These Acts set a series of annual limits on the net expenditure which the Department may not exceed and on the total overall cash they can use. Where these limits are breached, I qualify my regularity opinion on the financial statements. HM Treasury then prepares a statement of all such excesses in the year and requests that the House of Commons authorise the expenditure by passing an additional Act of Parliament, which is part of the Supply and Appropriations (Anticipation and Adjustments) Act.

5. For the 2011-12 financial year, these authorised limits were aligned to those used by HM Treasury to control public expenditure. Further detail on the authorised limits can be found within the Main Supply Estimates[1] for 2011-12.

6. Parliament authorised an annually managed resource expenditure limit for the Department of £1,007,000. The Department's outturn against this limit was £63,634,000, meaning that the authorised limit was breached by £62,627,000 and so I have qualified my regularity opinion on the Department's financial statements in this regard. HM Treasury propose to ask Parliament to authorise a further £62,627,000 of annually managed resource expenditure.

7. On a separate issue, the Departmental group, through one of its executive non-departmental public bodies, the Young People's Learning Agency (YPLA), provided £6.1 billion in grant to 1660 academies in 2011-12. A funding agreement between the Secretary of State for Education and each academy trust controls how this grant funding can be used. These funding agreements impose compliance with the provisions set out in the Academies Financial Handbook. As central government bodies, academies are also required to comply with the requirements of HM Treasury's 'Managing Public Money', although this requirement is not explicitly built into the funding arrangements.

8. I have qualified my regularity opinion on the YPLA's 2011-12 financial statements because the control framework is not adequately designed to provide sufficient appropriate assurance that academies have complied with all aspects of HM Treasury's Managing Public Money. I have qualified my regularity opinion on the Department's 2011-12 group financial statements on the same basis. Under the Education Act 2011, on 1 April 2012, the YPLA was abolished with all of its functions, staff, assets and liabilities transferring to the Department for Education and the newly formed Education Funding Agency.

1 http://www.hm-treasury.gov.uk/d/intro main supply estimates april11.pdf

9. This report describes both:

- the circumstances surrounding the Department's breach of the limit for annually managed resource expenditure which was voted by Parliament; and
- the control framework operated by the YPLA over grants to academies, and the weaknesses in that framework that led to the qualification of my opinion on regularity in respect of the requirement to seek approval for specific transactions, as required by Managing Public Money.

Explanation for Qualified Audit Opinion

Breach of Parliamentary voted total

10. My audit identified that the Department made payments of over £12 million during 2011-12 in relation to the premature retirement compensation of teaching staff of ex-Grant Maintained Schools and Colleges and pension payments mostly relating to the staff of former non-departmental public bodies.

11. In previous years the Department has accounted for annual compensation and pension payments as expenditure at the point payments are made but it has not recognised a liability in the Statement of Financial Position equal to the future payments required as a result of retirements taking place. However the Department has a legal obligation to pay these amounts in the future. This means that a provision is required to be recognised under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

12. The Department has created a provision in its Statement of Financial Position of £68 million in 2011-12 to recognise this liability in accordance with the requirements of IAS 37. The creation of provisions represents a charge to Annually Managed Resource Expenditure. When the Department requested resources from Parliament through the Estimates process, it had not forecast that these provisions would be required, and therefore did not request Annually Managed Expenditure to cover these costs. These amounts were not material to the financial statements in prior years.

YPLA are accountable for the regularity of funds paid to academies

13. YPLA is responsible for the funding and support of academies, including the payment of grant and oversight of the sector on behalf of the Department for Education. The YPLA Accounting Officer is responsible for the regularity of grant expenditure, and is accountable to Parliament for the proper use of those funds.

The assurance framework covers compliance with the funding agreement

14. YPLA has established a framework to gain assurance that academies are applying the grant for the purposes intended. The framework was designed specifically to evaluate compliance with the Academies Financial Handbook and individual funding agreements.

15. The framework can be summarised as:

- Obtaining audited financial statements from academies, including an opinion on whether the grants from YPLA have been applied for the purposes intended. These accounts are the financial statements academies are required to prepare under Companies Act legislation, reflecting their constitution as charitable companies limited by guarantee;
- Assessment of academies' annual Financial Management and Governance Evaluation (FMGE) self-assessments. These are signed off by the Accounting Officer of the academy. YPLA perform a desk-based review of these returns, in the first instance, to consider whether the academies' self-assessment is supported by the explanations provided;
- Inspection visits to a sample of academies to validate FMGE returns and the data used for grant allocations; and

- The work of investigation teams and academy liaison offices which can include assessments of academies' financial health and investigation of whistleblowing or other similar reports on academies.

16. The YPLA concluded that this framework provided substantial assurance that academies were complying with their funding agreements and I was able to rely on this work in support of my regularity opinion.

17. This effectiveness of this assurance framework is highly dependent on academies delivering requested returns and audited accounts. A signification proportion of returns or accounts were submitted late:

- Accounts: of the 435 academy trusts required to prepare their audited financial statements to 31 August 2011, 21 per cent had not been received by the YPLA's deadline of 31 December 2011. All were received by the end of June 2012.
- FMGE: academies are given different deadlines for their FMGE returns depending on when they opened. In 2011-12, 54 per cent of all returns were submitted late. All but 13 returns were received prior to my certification of these accounts.

18. Whilst the auditors of academies are required to give an opinion on the use of grant funds, the YPLA has not set guidance for auditors to follow when reaching that opinion. Audits of this nature within the public sector are normally governed by the Auditing Practices Board's Practice Note 10, Audit of Financial Statements of Public Sector Bodies, but this covers wider parliamentary and HM Treasury authorities and it is not clear to what extent auditors have used this framework in reaching their opinion on academies. The audit opinions on regularity provide some assurance to YPLA, but this could be strengthened to ensure that auditors and the YPLA have a common understanding of the work required. YPLA have set out plans to strengthen the regularity assurance gained from academy accounts by working with auditors to develop the framework.

The assurance framework does not cover the full requirements for regularity set out in Managing Public Money

19. Regularity in the central public sector is defined and governed by HM Treasury's Managing Public Money, which establishes the principles for propriety and regularity. HM Treasury have confirmed that Managing Public Money applies to academies because they consider academies to be central government entities.

20. In particular, Managing Public Money requires each body to have delegated authority before it can spend public funds. However, there are certain transactions and actions that HM Treasury do not delegate because they are potentially repercussive or of a novel or contentious type. These special payments include:

- severance payments in excess of the employer's contractual commitment;
- extra statutory payments in settlement of legal disputes out of court;
- certain private expenses of employees made necessary because of their public duties;
- non-standard payments in kind; and
- unusual financing transactions, especially those with lasting commitments.

21. YPLA were aware of 14 instances at 9 academies where severance payments had been made by academies in excess of employers' contractual commitments, and submitted these cases, with an aggregate value of £227,832, to HM Treasury in June 2012 relating to the 2011-12 financial year. All were approved by HM Treasury.

22. Eleven of these cases were identified through the YPLA's external assurance inspection visits. The remainder were identified through discussions on funding with the academies.

23. YPLA has informed me that it interpreted the regularity requirements for the academy sector to stem from the funding agreements. Academies are charitable companies, and charities guidance sets different parameters for considering ex-gratia and other such payments. In particular, according to the Charity Commission[2] the

2 Charity Commission guidance note 7 ex gratia payments by charities.

responsibility generally rests with trustees to consider whether they can justify the payment as being in the interests of the charity, whereas public sector entities require HM Treasury approval.

24. YPLA's external assurance team inspected 135 academies in support of YPLA's 2011-12 financial statements and governance statement, representing 8 per cent of the 1660 academies opened before the year end. It is unclear how many other special payments were made in the academy sector in this financial year, but the frequency of occurrence of payment requiring HM Treasury approval in this sample suggests that there were a number of other cases of severance payments over and above those submitted for approval. YPLA has not required academies to notify them of severance cases or any other payments which require Treasury approval and so I have concluded that the assurance framework YPLA had in place for the financial year was not capable of identifying and managing all cases.

25. Accordingly, I have been unable to confirm that, in all material respects, grants to academies conform with the authorities which govern them, and have been applied for the purposes intended by Parliament. For this reason I have qualified my opinion on regularity.

Actions for the Department for Education and the Education Funding Agency

26. The number of open academies has grown significantly during 2011-12 (from 440 academies in March 2011 to 1660 by 31 March 2012), and this growth is forecast to continue. There are a number of areas of the control framework over academies that the Department for Education through the Education Funding Agency (EFA) should consider improving in order to manage the future expansion of the sector more effectively:

- *Compliance with Managing Public Money:* The EFA should discuss with HM Treasury how best to ensure compliance with the provisions of Managing Public Money set out above. Unless resolved, this issue is likely to result in a qualified audit opinion for the Department's and the Education Funding Agency's 2012-13 financial statements;

- *Lateness of academy returns:* As noted above, a significant proportion of academies have been missing deadlines to submit returns to YPLA. The lateness of these returns has resulted in an assurance gap, although this gap did not require me to modify my opinion this year. However with the growing number of academies, there is potential that this assurance gap may become more significant in 2012-13. The EFA should consider how to ensure academies comply with submission deadlines; and

- *Academy audited financial statements:* The Academies Financial Handbook requires academies to engage their auditors to provide an opinion on whether 'the grants made by the YPLA have been applied for the purposes intended'. This opinion, designed to cover the regularity of grant spent by an academy, is not in a format applied elsewhere in government. The opinion only covers whether the academies have complied with the funding agreement, without considering other regularity concerns, such as Managing Public Money. In addition, there is no framework as to what procedures the auditor should carry out to provide this opinion. The EFA should consider whether to require a standard regularity opinion, supported by a robust audit code, which would provide better assurance to the EFA Accounting Officer.

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13 July 2012

Consolidated Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2011-12

£000							2011-12	2010-11
			Estimate			Outturn	Vote Outturn compared with Estimate: saving/ (excess)	Outturn
Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total		Total
Departmental Expenditure Limit								
– Resource	51,342,261	–	51,342,261	51,196,135	–	51,196,135	146,126	51,244,551
– Capital	5,063,856	–	5,063,856	5,042,189	–	5,042,189	21,667	6,587,418
Annually Managed Expenditure								
– Resource	1,007	–	1,007	63,634	–	63,634	(62,627)	(50,733)
– Capital	–	–	–	–	–	–	–	–
Total Budget	**56,407,124**	**–**	**56,407,124**	**56,301,958**	**–**	**56, 301,958**	**105,166**	**57,781,236**
Non Budget								
– Resource	–	–	–	–	–	–	–	–
Total	**56,407,124**	**–**	**56,407,124**	**56,301,958**	**–**	**56, 301,958**	**105,166**	**57,781,236**

Total resources	**51,343,268**	**–**	**51,343,268**	**51,259,769**	**–**	**51,259,769**	**83,499**	**51,193,818**
Total capital	**5,063,856**	**–**	**5,063,856**	**5,042,189**	**–**	**5,042,189**	**21,667**	**6,587,418**
Total	**56,407,124**	**–**	**56,407,124**	**56,301,958**	**–**	**56,301,958**	**105,166**	**57,781,236**

Net cash requirement

£000	2011-12	Further analysis in Note 4	2011-12	2010-11
	Estimate	Outturn	Outturn compared with Estimate: saving/(excess)	Outturn
	56,494,107	**56,349,458**	**144,649**	**58,025,647**

Administration Costs

£000

Note	2011-12 Estimate	2011-12 Outturn	2010-11 Outturn
3.2	**415,685**	**373,935**	384,615

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control.

The Department has identified a provision in relation to a long standing liability to fund compensation to teachers in ex grant-maintained schools, and a pension liability for ex employees of the Schools Council, Training Commission and other ex-NDPBs, which the Department is making contributions towards.

As a result of this change, the Department has an excess vote of £62.627m.The Department will seek Parliamentary approval by way of an Excess in the next Appropriation Act.

Explanation of variances between Estimate and Outturn are given in the Management Commentary.

Further detail on the Net Cash Requirement can be found at Note 4.

The notes on pages 73 to 116 form part of these accounts.

Consolidated Statement of Comprehensive Net Expenditure

for the Year ended 31 March 2012

£000	Note	Core Dept 2011-12	Core Dept & Agencies 2011-12	Departmental Group 2011-12	Core Dept 2010-11	Core Dept & Agencies 2010-11	Departmental Group 2010-11
Administration costs:							
Staff costs	7	130,468	132,819	220,708	115,128	115,128	244,219
Other administration costs	8	87,665	87,857	147,698	64,489	64,489	149,468
Operating income	10	(6,645)	(5,436)	(5,058)	(7,237)	(7,237)	(9,971)
Programme expenditure:							
Staff costs	7	11,480	11,518	116,773	18,754	18,754	95,894
Programme costs	9	56,204,367	56,216,556	55,867,529	57,885,467	57,885,467	57,438,516
Income	10	(40,464)	(41,744)	(68,214)	(131,568)	(131,568)	(164,707)
Corporation Tax		–	–	55	–	–	(3)
Net operating costs for the year ended 31 March 2012		**56,386,871**	**56,401,570**	**56,279,491**	**57,945,033**	**57,945,033**	**57,753,416**
Total Expenditure		56,433,980	56,448,750	56,352,763	58,083,838	58,083,838	57,928,094
Total Income	10	(47,109)	(47,180)	(73,272)	(138,805)	(138,805)	(174,678)
Net operating costs for the year ended 31 March 2012	3.1	**56,386,871**	**56,401,570**	**56,279,491**	**57,945,033**	**57,945,033**	**57,753,416**

Other Comprehensive Net Expenditure

£000	Note	Core Dept 2011-12	Core Dept & Agencies 2011-12	Departmental Group 2011-12	Core Dept 2010-11	Core Dept & Agencies 2010-11	Departmental Group 2010-11
Net (gain)/loss on:							
– revaluation of property, plant and equipment		(301)	(301)	(319)	(13,971)	(13,971)	(13,851)
– revaluation of Intangibles		(1,011)	(1,011)	(1,011)	(2,292)	(2,292)	(2,292)
– actuarial (gain)/loss on defined benefit pension schemes	20	–	–	27,559	–	–	(44,039)
Total comprehensive expenditure for the year ended 31 March 2012		**56,385,559**	**56,400,258**	**56,305,720**	**57,928,770**	**57,928,770**	**57,693,234**

All income and expenditure reported in the Consolidated Statement of Comprehensive Net Expenditure is derived from continuing operations.

The notes on pages 73 to 116 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2012

£000	Note	Core Dept	Core Dept & Agencies	2012 Dept'al Group	Core Dept	Core Dept & Agencies	2011 Dept'al Group	2010 Dept'al Group
Non-current assets:								
Property, plant and equipment	11	73,996	73,996	99,996	74,732	74,732	104,224	95,529
Intangible assets	12	56,921	56,921	58,827	64,505	64,505	71,370	78,280
Financial assets	14	26,109	26,109	5,461	21,289	21,289	604	646
Trade and other receivables due after more than one year	16	5,669	5,669	5,681	5,692	5,692	5,704	5,821
Pension assets	20	–	–	–	–	–	1,640	–
Total non-current assets		**162,695**	**162,695**	**169,965**	**166,218**	**166,218**	**183,542**	**180,276**
Current assets:								
Trade and other receivables	16	44,381	45,660	122,325	63,806	63,806	106,778	74,166
Financial assets repayable within one year	14	83	83	46	79	79	43	1,290
Cash and cash equivalents	17	33,599	33,599	231,624	45	45	125,088	83,295
Total current assets		**78,063**	**79,342**	**353,995**	**63,930**	**63,930**	**231,909**	**158,751**
Total assets		**240,758**	**242,037**	**523,960**	**230,148**	**230,148**	**415,451**	**339,027**
Current liabilities:								
Trade and other payables	18	(273,811)	(278,058)	(400,108)	(249,258)	(249,258)	(395,684)	(568,211)
Provisions	19	(23,694)	(23,694)	(47,575)	(11,447)	(11,447)	(24,612)	(35,856)
Other liabilities – cash and cash equivalents	17	–	–	–	(22,850)	(22,850)	(22,850)	(1,603)
Total current liabilities		**(297,505)**	**(301,752)**	**(447,683)**	**(283,555)**	**(283,555)**	**(443,146)**	**(605,670)**
Non-current assets less net current liabilities		**(56,747)**	**(59,715)**	**76,277**	**(53,407)**	**(53,407)**	**(27,695)**	**(266,643)**
Non-current liabilities								
Provisions	19	(68,343)	(68,343)	(83,267)	(24,980)	(24,980)	(30,937)	(33,746)
Other payables	18	–	–	(563)	–	–	(3,429)	(1,168)
Pension liabilities	20	–	–	(147,967)	–	–	(134,778)	(224,230)
Total non-current liabilities		**(68,343)**	**(68,343)**	**(231,797)**	**(24,980)**	**(24,980)**	**(169,144)**	**(259,144)**
Assets less liabilities		**(125,090)**	**(128,058)**	**(155,520)**	**(78,387)**	**(78,387)**	**(196,839)**	**(525,787)**
Taxpayers' equity and other reserves:								
General fund		(145,176)	(148,144)	(176,913)	(99,254)	(99,254)	(219,550)	(490,845)
Revaluation reserve		20,086	20,086	21,393	20,867	20,867	22,156	10,070
Charitable Funds		–	–	–	–	–	555	(45,012)
Total equity		**(125,090)**	**(128,058)**	**(155,520)**	**(78,387)**	**(78,387)**	**(196,839)**	**(525,787)**

Chris Wormald **12 July 2012**
(Accounting Officer)

The notes on pages 73 to 116 form part of these accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2012

	Note	2011-12 £000	2010-11 £000
Cash flows from operating activities			
Net operating cost		(56,279,491)	(57,753,416)
Adjustments for non-cash transactions		131,097	63,378
Non Cash Pension transaction	20	11,570	(25,344)
(Increase)/decrease in trade and other receivables	16	(15,524)	(32,495)
Less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		(22,810)	22,810
Increase/(decrease) in trade and other payable	18	1,558	(170,266)
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(36,583)	11,721
Use of provisions	19	(30,077)	(35,856)
Cash Pension movements	20	(13,004)	(25,745)
Losses/Gains on curtailments	20	813	4,036
Settlement of Pension Liabilities	20	(4,229)	–
Net cash outflow from operating activities		**(56,256,680)**	**(57,941,177)**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(6,428)	(10,912)
Purchase of intangible assets	12	(8,429)	(16,803)
Proceeds of disposal of property, plant and equipment		1	3,120
Loans to other bodies	14	(4,903)	–
Repayments from other bodies	14	43	–
Net cash outflow from investing activities		**(19,716)**	**(24,595)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		56,383,000	57,989,000
From the Consolidated Fund (Supply) – prior year		22,810	–
MOG adjustment between Ofqual and UKCES		–	(2,481)
MOG adjustment between QCDA and UKCES		(22)	(24)
Net financing		**56,405,788**	**57,986,495**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**129,392**	**20,723**
Payments of amounts due to the Consolidated Fund		(6)	(177)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**129,386**	**20,546**
Cash and cash equivalents at the beginning of the period	17	**102,238**	**81,692**
Cash and cash equivalents at the end of the period	17	**231,624**	**102,238**

The notes on pages 73 to 116 form part of these accounts.

Core & Agencies Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2012

	Note	General Fund	Revaluation Reserve	Total Reserves
		£000	£000	£000
Balance at 31 March 2010		**(184,288)**	**8,605**	**(175,683)**
Net Parliamentary Funding – drawn down		57,989,000		57,989,000
Net Parliamentary Funding – deemed		13,836		13,836
Supply payable/(receivable) adjustment		22,810		22,810
CFERs payable to the Consolidated Fund		(104)		(104)
Comprehensive expenditure for the year		(57,945,033)	16,263	(57,928,770)
Non-cash Adjustments:				
Non-cash changes – auditor remuneration		320		320
Movements in reserves:				
Transfers between reserves		4,001	(4,001)	–
OGD asset transfers		208		208
Other General Fund movement		(4)		(4)
Balance at 31 March 2011		**(99,254)**	**20,867**	**(78,387)**
Net Parliamentary Funding – drawn down		56,383,000		56,383,000
Net Parliamentary Funding – deemed				
Supply payable/(receivable) adjustment		(33,541)		(33,541)
CFERs payable to the Consolidated Fund		(2,787)		(2,787)
Comprehensive expenditure for the year		(56,401,570)	1,312	(56,400,258)
Non-cash Adjustments:				
Non-cash changes – auditors remuneration		535		535
Movements in reserves:				
Transfers between reserves		2,093	(2,093)	–
OGD asset transfers		3,380		3,380
Other General Fund movement		–		–
Balance at 31 March 2012		**(148,144)**	**20,086**	**(128,058)**

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

The Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to property, plant and equipment, and intangible assets (see Notes 11 and 12).

The notes on pages 73 to 116 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2012

	Note	General Fund	Revaluation Reserve	Taxpayers' equity	Charitable Funds – Restricted/ Endowment	Charitable Funds – Unrestricted	Total Reserves
		£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2010		**(490,845)**	**10,070**	**(480,775)**	**(28,954)**	**(16,058)**	**(525,787)**
Net Parliamentary Funding – drawn down		57,989,000	–	57,989,000	–	–	57,989,000
Net Parliamentary Funding – deemed		13,836	–	13,836	–	–	13,836
Supply payable/ (receivable) adjustment		22,810	–	22,810	–	–	22,810
CFERs payable to the Consolidated Fund	5	(104)	–	(104)	–	–	(104)
Comprehensive expenditure for the year		(57,798,983)	16,143	(57,782,840)	28,962	16,605	(57,737,273)
Non-cash Adjustments:							
Non-cash changes – auditor remuneration	8	320	–	320	–	–	320
Movements in reserves:							
Transfers between reserves		4,057	(4,057)	–	–	–	–
OGD asset transfers		240	–	240	–	–	240
Other General Fund movement		40,119	–	40,119	–	–	40,119
Balance at 31 March 2011		**(219,550)**	**22,156**	**(197,394)**	**8**	**547**	**(196,839)**
Net Parliamentary Funding – drawn down		56,383,000	–	56,383,000	–	–	56,383,000
Net Parliamentary Funding – deemed		–	–	–	–	–	–
Supply payable/ (receivable) adjustment		(33,541)	–	(33,541)	–	–	(33,541)
CFERs payable to the Consolidated Fund	5	(2,787)	–	(2,787)	–	–	(2,787)
Comprehensive expenditure for the year		(56,278,936)	1,330	(56,277,606)	(8)	(547)	(56,278,161)
Non-cash Adjustments:							
Non-cash changes – auditors remuneration	8	535	–	535	–	–	535
Movements in reserves:							
Transfers between reserves		2,093	(2,093)	–	–	–	–
OGD asset transfers		(1)		(1)	–	–	(1)
Other General Fund movement		(27,726)	–	(27,726)	–	–	(27,726)
Balance at 31 March 2012		**(176,913)**	**21,393**	**(155,520)**	**–**	**–**	**(155,520)**

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

The Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to property, plant and equipment, and intangible assets (see Notes 11 and 12).

The notes on pages 73 to 116 form part of these accounts.

Notes to the Departmental Annual Accounts

1. Statement of accounting policies

These accounts have been prepared in accordance with the 2011-12 *Government Financial Reporting Manual (FReM)* issued by HM Treasury, as set out in a statutory Accounts Direction issued pursuant to section 5(2) of the Government Resource and Accounts Act 2000. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department for Education for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department for Education for 2011-12 are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

In addition to the primary statements prepared under IFRS, the *FReM* also requires the Department to prepare an additional primary statement. The *Statement of Parliamentary Supply* and supporting notes show outturn against Supply Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets.

1.2 Basis of consolidation

These accounts comprise a consolidation of the core department, departmental agencies and those other Arms Length Bodies (ALBs) which fall within the departmental boundary as defined by *FReM* and make up the "Departmental Group". Transactions between entities included in the consolidation are eliminated.

A list of all those entities within the departmental boundary is given at note 25.

1.3 IFRSs in issue but not yet effective

In order to comply with the requirements of IAS 8 (*Accounting Policies, Changes in Accounting Estimates and Errors)*, the Department must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Department has carried out a review of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment, and found that none of the updates have any material impact on the accounts. The Department, therefore, has chosen not to adopt early requirements of the following accounting standards and interpretations, which have an effective date after the date of these financial statements:

Standard	Issued	Effective	Impact
IFRS 9 Financial Instruments and Classification	2009	1 January 2013	Introduces the requirement for classification and measurement of financial asset, together with elimination of two categories.
IFRS 1 First time Adoption of IFRS	Dec 2010	1 July 2011	Replacement of 'fixed dates' with the dates of transition to IFRS
IFRS 1 First time Adoption of IFRS	Dec 2010	1 July 2011	Additional exemption for entities ceasing to suffer from severe hyperinflation.

Standard	Issued	Effective	Impact
IFRS 7 Financial Instruments Disclosures	May 2011	1 July 2011	Amendments enhancing disclosures about transfers of financial assets. The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Note: In the first year of application, comparative information is not required.
IFRS 11 Joint Arrangements	May 2011	1 January 2013	Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.
IFRS 12 Disclosure of Interest in Other Entities	May 2011	1 January 2013	Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
IFRS 13 Fair Value Measurement	May 2011	1 January 2013	Replaces current standard with one single standard, IFRS 13 does not change requirements regarding which item should be disclosed or measured at fair value.
IAS 1 Presentation of Financial Statements	June 2011	1 July 2012	Amendments to revise the way other comprehensive income is presented.
IAS 19 Employee Benefit	June 2011	1 January 2013	Revised requirements for pensions and other postretirement benefits, termination benefits and other changes.
IAS 27 Consolidated and Separate Financial Statement: Re-issued as IAS 27 Separate Financial Statement	May 2011	1 January 2013	The standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 *Financial Instruments.*
IFRS 10 Consolidated Financial Statement	May 2011	1 January 2013	Requires parent entity to consolidate the group as a single economic entity based on control.

The Department does not expect the future adoption of these standards to have a material impact on the financial statements.

In addition the following significant *FReM* changes took effect in 2011-12:

- Parliamentary accountability – Estimates from 2011-12 should be based on departmental budgets, and the structure of the Estimates should reflect the split between the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME), with consequential adjustments to the Statement of Parliamentary Supply.

- Accounting boundaries – Revises the Departmental accounting boundary to include Non- Departmental Public Bodies and other bodies classified to central government by the Office of National Statistics. The *FReM* also interprets IAS 27 in relation to the consolidation boundary.

1.4 Areas of Judgement

The preparation of these accounts requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an on-going basis. Specific areas of judgement include provisions and impairment.

1.5 Transfer of Functions

Machinery of Government (MOG) changes, which involve the transfer of functions or responsibilities from one part of the public sector to another, are accounted for using merger accounting. This requires restatement of the opening Consolidated Statement of Financial Position and prior year's Consolidated Statement of Comprehensive Net Expenditure and associated notes to the accounts.

1.6 Property, plant and equipment

The minimum level of capitalisation for expenditure on property, plant and equipment is £2,500. In the case of IT equipment and furniture all items recorded as capital expenditure are capitalised and if they fall below the £2,500 threshold they are bulked together and recorded as bulk assets. The asset value on capitalisation is measured at cost plus any costs, such as installation, directly attributable to bringing them into working condition.

Freehold land and buildings are measured initially at cost, restated to current value using external professional valuation in accordance with IAS 16 every five years, and in the intervening years by use of appropriate indices supplied by HM Treasury. The Department has stated other property, plant and equipment at existing use value using appropriate indices published by the Office for National Statistics. Some ALB's assets are of short life and of low value and therefore, in accordance with the FReM, have used depreciated historic cost as a proxy for fair value.

Partnership for Schools

In the course of normal business, PfS may be asked to acquire title to land and buildings which will be used by a Free School Trust (FST) to operate a school. This title will be procured using capital funds and will be held for the shortest possible period, transferring the asset to the FST on its formation at a value equivalent to the purchase price of the land and property, and for nil consideration.

These assets are classified as current on the basis that PfS intends to dispose of them within a single period, but otherwise treated under IAS 16 Property, Plant and Equipment. Should there be any indication that the transfer would not go ahead then this would be treated as an indicator of potential impairment. When title on these sites is transferred, the asset would be derecognised and a capital grant recognised on the Consolidated Statement of Comprehensive Net Expenditure.

In the unlikely situation where circumstances existing prior to the year end indicated that sites could not be transferred to a Trust as intended, and would have to be sold to the open market, then an asset would be recognised and treated under IFRS 5 Assets held for sale and discontinued operations. In that case, any difference between purchase price and fair value would be recognised as an in-year impairment and the asset separately presented.

If the transfer fell through due to circumstances not yet existing at the year end, the changes in asset treatment would not take effect until the following period.

1.7 Depreciation

Depreciation is provided at rates calculated to write off the valuation of freehold buildings and other property, plant and equipment by equal instalments over their estimated useful lives. Freehold land is not depreciated.

Asset lives are normally in the following ranges:

Freehold Buildings	up to 50 years
Furniture & Fittings	7 – 10 years
Plant and Machinery	3 – 10 years
Information Technology	3 – 7 years

Included in furniture and fittings is a suite of designer office furniture manufactured for ministerial use in 1961 which is currently on loan to the Edward Barnsley workshop where it is on display. In 2006 the Department assigned a 20 year remaining asset life to this specific suite of furniture.

1.8 Intangible assets

Purchased computer software licences and developed software are capitalised as intangible assets where expenditure of £2,500 or more is incurred. The software licences are amortised over the shorter of the licence period or its useful economic life limited to a range of 2 – 5 years. Developed software is amortised over its useful economic life of 5 years. Both have been stated at existing use value, using appropriate indices published by the Office of National Statistics.

Teachers' TV programmes consist of two categories and the useful economic life over which they are amortised, based on usage, is as follows:

News and current affairs	2 years
Other programmes	6 years

1.9 Revaluation and Impairment of Non Current Assets

Increases in value are credited to the Revaluation Reserve, unless it is a reversal of a previous impairment, which is credited to the Consolidated Statement of Comprehensive Net Expenditure to the extent of the previous impairment and then to the Revaluation Reserve, in accordance with IAS 36. Impairments of revalued assets that do not result from a clear consumption of economic benefits are debited to the Revaluation Reserve up to the level of depreciated historical cost. Any excess devaluation is charged to the Consolidated Statement of Comprehensive Net Expenditure. Each year, the realised element of the reserve (i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost) is transferred from the reserve to the General Fund.

Impairment losses that result from a clear consumption of economic benefit are taken directly to the Consolidated Statement of Comprehensive Net Expenditure. Where the impairment relates to a revalued asset, the balance on the Revaluation Reserve to which the impairment would have been charged is transferred to the General Fund to ensure consistency with IAS 36.

On disposal of a revalued asset, the balance on the Revaluation Reserve in respect of that asset becomes fully realised and is transferred to the General Fund. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Net Expenditure.

All non-current assets are reviewed for impairment if circumstances indicate that the carrying amount may not be recoverable. In addition, intangible assets with an indefinite useful life are not subject to amortisation and are instead tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.10 Financial instruments

The Department adopts IFRS 7, Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement. The Department does not have any complex financial instruments; however, financial assets and financial liabilities are recognised on DfE's Consolidated Statement of Financial Position when DfE becomes party to the contractual provisions of the instrument. Embedded derivatives are recognised if separable from the host contract.

Financial assets

Financial assets are classified where appropriate as loans and receivables; available-for-sale; financial assets at fair value through profit and loss. Financial assets include cash and cash equivalents, trade and other receivables and derivative financial instruments. DfE determines the classification of its financial instruments at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable costs. Presently, DfE does not have any financial assets that need to be classified available-for-sale or financial assets at fair value through profit or loss, neither does it have cash equivalents or derivative financial instruments. DfE's financial assets include trade and other receivables and cash.

The subsequent measurement of financial assets depends on their classification, as follows:

Trade and other receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits. DfE does not have short term highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value i.e. cash equivalents.

Financial liabilities

Financial liabilities are classified, where appropriate, at fair value through profit or loss, or as financial liabilities measured at amortised cost (face value plus any discounts). Financial liabilities include trade and other payables and accruals. DfE does not currently have financial liabilities classified as fair value through profit or loss; neither does it have derivative financial instruments. DfE determines the classification of its financial liabilities at initial recognition. DfE's financial liabilities include trade and other payables.

The measurement of financial liabilities depends on their classification, as follows:

Trade and other payables

Trade and other payables including accruals are generally not interest bearing and are stated at their face value on initial recognition. Subsequently, they are measured at amortised cost using the effective interest method, if the time value of money is of significance.

Embedded derivatives

DfE applies IFRIC 9: Reassessment of Embedded Derivatives in full. DfE assesses whether an embedded derivative is required under IAS 39 to be separated from the host contract and accounted for as a derivative when it first becomes a party to the contract. DfE will only reassess if there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract.

1.11 Research and Development

Research expenditure is reported in the Consolidated Statement of Comprehensive Net Expenditure in the year in which it is incurred. Development expenditure is also recognised in the Consolidated Statement of Comprehensive Net Expenditure when incurred unless it meets the specific criteria for capitalisation within IAS 38 Intangible Assets. Property, plant and equipment acquired for use in research and development are depreciated over the life of the associated research project or according to the asset category if the asset is to be used for subsequent production work.

1.12 Operating income

Operating income is income which relates directly to the operating activities of the Department. It includes both income as authorised in the Supply Estimate (such as general administration receipts and income from other departments for payment to DfE's ALBs), and income to the Consolidated Fund that HM Treasury has agreed should be treated as operating income. Income is stated net of VAT.

1.13 Administration and programme expenditure

The Consolidated Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or programme follows the definition of administration costs set out by HM Treasury in its '*Consolidated Budgeting Guidance*'.

Administration costs reflect the costs of running the Departmental group as defined under the administration cost control regime, together with associated operating income. Income is analysed in the notes between that which, under the regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration budget, and that operating income which is not.

Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department, except for the staff costs associated with European School Teachers and Cafcass front line staff. These costs relate directly to the front line delivery of a specific programme. The Department has authority from HM Treasury to treat the costs of a behaviour expert advisor as programme spend.

1.14 Foreign exchange

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used.

1.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating leases are charged to the Consolidated Statement of Comprehensive Net Expenditure as expenditure is incurred. Other than the intra-group finance leases that have been eliminated on consolidation, the Department holds no other finance leases.

1.16 Pensions

The staff of the Department and its ALBs, with the exception of Becta, the National College for School Leadership (NCSL), School Food Trust (SFT) and Cafcass are members of the PCSPS. Where the Department is responsible for pension schemes for its ALBs, it has fully adopted IAS 19 Employee Benefits. The Department recognises a liability in respect of any deficit, being the excess of the present value of the scheme's liabilities over the value of the assets in the scheme, to the extent that the Department has a legal or constructive obligation to make good the deficit in the scheme.

Becta contributed to two defined benefit pension schemes, the Teachers Pension Scheme and the London Pensions Fund Authority (LPFA) Scheme.

NCSL participates in a defined benefit pension scheme providing benefits based upon pensionable salary. The scheme is part of the Nottinghamshire County Council Pension Fund which is administered under the statutory framework of the Local Government Pension Scheme.

Cafcass employees are members of the West Yorkshire Pension Fund. A small number of Cafcass staff retained membership of the PCSPS by virtue of their earlier employment with one of Cafcass' predecessor organisation.

From 1 April 2012, staff at NCSL have the opportunity to transfer to PCSPS.

Additional details of movements of the pension schemes are available at note 20.

From 1 April 2011, the School Food Trust (SfT) no longer offered the PCSPS scheme to its employees. The Trust appointed Scottish Life to run a new Group Pension Plan which is a defined contribution scheme accepting contributions from both employer and employee. The pension is the property of the individual and will remain so even if they no longer work for the Trust.

Other than the exceptions above, past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution scheme, the Department recognises the contributions payable for the year.

1.17 Early departure costs

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

1.18 Grants payable

The majority of grants made by the Department are recorded as expenditure in the period in which the claim is paid, as the grant funding cannot be directly related to activity in a specific period. The claims are deemed to be the only appropriate and measurable activity that truly creates an entitlement for the recipient. However, recognition of the entitlement of grant varies according to the individual programme. Where entitlement to the grant has arisen during the period it is accrued in the Consolidated Statement of Comprehensive Net Expenditure and shown as a liability on the Consolidated Statement of Financial Position.

Grants paid to local authorities remaining unspent at the year end may be retained to fund future activity. The Department does not recognise a prepayment except where there are specific clawback provisions.

Payments to local authorities are made throughout the year. Local authorities are allowed to spend the grant up to the end of August following the end of the financial year. However, in the case of Devolved Formula Capital, local authorities have up to three years and five months to spend the grant.

Local authorities account for their expenditure through an annual statement which PfS collates in November. Around 60% of the value of the grants are awarded as part of the 'Single Capital Pot', which authorities are not required to account for. If the local authority spends more than the grant that it has received, the said local authority will need to finance the extra cost. If a local authority has not fully spent the grant which it has received, PfS retains the right to clawback the funds.

1.19 Provisions

The Department makes provision in the accounts where the following criteria are met as at 31 March in accordance with IAS 37: a legal or constructive obligation exists that will result in the transfer of economic benefit; the transfer is probable; and a reliable estimate can be made. The Department reflects the time value of money in the estimate where the impact is material using the HM Treasury discount rates of 2.2% (2.2% in 2010-11) for general provisions and 2.8% (2.9% in 2010-11) for early departure costs.

1.20 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the Department discloses for Parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.21 Value Added Tax

Most of the activities of the Department and those ALBs that are VAT registered are outside the scope of VAT. In general output tax does not apply, or where it does, input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of property and equipment and intangible assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.22 Corporation Tax

The Department's and its ALBs activities are exempt from any corporation tax. However, there are exceptions to this as a result of the legal status of some ALBs.

CWDC and NCSL are companies limited by guarantee and are therefore subject to corporation tax. CWDC's activities are outside the scope of corporation tax as the company does not carry on a trade or any other business and its objects are not for profit. Corporation tax is, however, payable on its investment income. NCSL has received agreement from HMRC that it is to be treated as a dormant company for taxation purposes. Consequently there are no provisions for current or deferred corporation tax.

PfS is a limited company; however, it does not carry out any activities that are subject to corporation tax.

GTCE is a public corporation and it is liable for corporation tax on its investment income.

The Departmental group corporation tax position is reviewed annually.

2. Net outturn

2.1 Analysis of net resource outturn by section

	2011-12									2010-11
	Outturn £000							Estimate £000		Outturn £000
	Administration			Programme			Total	Net Total	Net total compared to Estimate	Total
	Gross	Income	Net	Gross	Income	Net				
Spending in Departmental Expenditure Limits (DEL)										
Voted expenditure										
A Activities to Support all Functions (Department)	224,498	(5,049)	219,449	37,763	(274)	37,489	256,938	295,621	38,683	226,489
B School Infrastructure and Funding of Education (Department)	–	–	–	34,267,589	(27,381)	34,240,208	34,240,208	34,238,834	(1,374)	37,747,290
C School Infrastructure and Funding of Education (NDPB) (net)	68,246	–	68,246	13,069,213	–	13,069,213	13,137,459	13,128,449	(9,010)	9,256,860
D Education Standards, Curriculum and Qualifications (Department)	–	–	–	184,975	(162)	184,813	184,813	230,739	45,926	344,370
E Education Standards, Curriculum and Qualifications (NDPB) (net)	19,254	–	19,254	24,244	–	24,244	43,498	44,257	759	161,023
F Workforce Training and Development (Department)	–	–	–	33,599	(121)	33,478	33,478	41,223	7,745	57,371
G Workforce Training and Development (NDPB) (net)	46,406	–	46,406	716,885	–	716,885	763,291	789,556	26,265	991,778
H Early Years (Department)	–		–	73,867	–	73,867	73,867	96,808	22,941	1,658,181
I Children, Young People and Families (Department)	–	–	–	2,325,067	(9,796)	2,315,271	2,315,271	2,328,242	12,971	690,559
J Children, Young People and Families (NDPB) (net)	16,828	–	16,828	115,785	–	115,785	132,613	129,421	(3,192)	110,630
K Standards and Testing Agency	3,752	–	3,752	12,227	(1,280)	10,947	14,699	19,111	4,412	–
Total spending in DEL	**378,984**	**(5,049)**	**373,935**	**50,861,214**	**(39,014)**	**50,822,200**	**51,196,135**	**51,342,261**	**146,126**	**51,244,551**
Spending in Annually Managed Expenditure (AME)										
Voted expenditure										
L Activities to Support all Functions	–	–	–	63,634	–	63,634	63,634	1,007	(62,627)	**(50,733)**
Total spending in AME	**–**	**–**	**–**	**63,634**	**–**	**63,634**	**63,634**	**1,007**	**(62,627)**	**(50,733)**
Totals	**378,984**	**(5,049)**	**373,935**	**50,924,848**	**(39,014)**	**50,885,834**	**51,259,769**	**51,343,268**	**83,499**	**51,193,818**

2.2 Analysis of net capital outturn by section

	2011–2012					2010–11 outturn £000
	Outturn £000			Estimate £000		
	Gross	Income	Net	Net	Net total compared to Estimate	Net
Spending in Departmental Expenditure Limits (DEL)						
Voted expenditure						
A Activities to Support all Functions (Department)	13,192	(37)	13,155	16,000	2,845	24,154
B School Infrastructure and Funding of Education (Department)	55,037	–	55,037	94,856	39,819	375,239
C School Infrastructure and Funding of Education (NDPB) (net)	4,833,461	–	4,833,461	4,804,915	(28,546)	5,410,901
D Education Standards, Curriculum and Qualifications (Department)	–	–	–	–	–	–
E Education Standards, Curriculum and Qualifications (NDPB) (net)	28	–	28	–	(28)	101,241
F Workforce Training and Development (Department)	–	–	–	–	–	–
G Workforce Training and Development (NDPB) (net)	1,580	–	1,580	–	(1,580)	2,242
H Early Years (Department)	42,060	–	42,060	42,483	423	485,502
I Children, Young People and Families (Department)	96,824	–	96,824	105,602	8,778	188,094
J Children, Young People and Families (NDPB) (net)	44	–	44	–	(44)	45
K Standard & Testing Agency	–	–	–	–	–	–
Total spending in DEL	**5,042,226**	**(37)**	**5,042,189**	**5,063,856**	**21,667**	6,587,418
Spending in Annually Managed Expenditure (AME)						
Voted expenditure						
L Activities to Support all Functions	–	–	–	–	–	–
Totals	**5,042,226**	**(37)**	**5,042,189**	**5,063,856**	**21,667**	6,587,418

3. Reconciliation of outturn to net operating cost and against Administration Budget

3.1 Reconciliation of net resource outturn to net operating cost

		Note	2011-12 £000 Outturn	2010-11 £000 Outturn
Total resource outturn in Statement of Parliamentary Supply	Budget		51,259,769	51,193,818
	Non Budget		–	–
			51,259,769	**51,193,818**
Add:	Capital Grant		5,022,509	6,559,702
	Other		–	–
			56,282,278	**57,753,520**
Less:	Income payable to the Consolidated Fund		(2,787)	(104)
	Other		–	–
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure			**56,279,491**	**57,753,416**

3.2 Outturn against final Administration Budget and Administration net operating cost

		2011-12 £000	2010-11 £000
Estimate	– Administration costs limit (group)	415,685	389,471
Outturn	– Gross Administration costs	378,984	391,748
Outturn	– Gross income relating to administration	(5,049)	(7,133)
Outturn	– Net administration costs	**373,935**	**384,615**
Reconciliation to operating costs:			
Less:	Provisions utilised (transfer from Programme)	(9,008)	(795)
Less:	Other	(1,521)	–
Reconciling item: CFER		(58)	(104)
Administration Net Operating Costs		**363,348**	**383,716**

4. Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	Note	2011-12 £000 Outturn	2010-11 £000 Outturn
Net cash requirement		(56,349,458)	(58,025,647)
From the Consolidated Fund (Supply)			
– Current year		56,383,000	57,989,000
– Prior year		22,810	–
Amounts due to the Consolidated Fund received and not paid over		58	6
Amounts due to the Consolidated Fund received in prior year and paid over		(6)	(79)
Other		–	–
Increase/(decrease) in cash held by core department and agencies		56,404	(36,720)
Add: Increase/(decrease) in cash held by arms length bodies		72,982	57,266
Net increase/(decrease) in cash held by departmental group		129,386	20,546

5. Income payable to the Consolidated Fund

5.1 Analysis of income to the Consolidated Fund

In addition to income retained by the department, the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Outturn 2011-12		Outturn 2010-11	
	Income	*Receipts*	Income	*Receipts*
	£000	£000	£000	£000
Operating income outside the ambit of the Estimate	2,787	*58*	104	*104*
Excess cash surrenderable to the Consolidated Fund	–	–	–	–
Total income payable to the Consolidated Fund	**2,787**	***58***	**104**	***104***

6. Statement of operating costs by operating segment

6.1 The Department has been restructured to clearly align activity and expenditure against the Government's Structural Reform Priorities (SRPs) for education. Information on operating activities, financial results, forecasts and plans is presented to and reviewed by the Executive Management Board on this basis; our supply estimates are also structured in this way.

6.2 The vast majority of the lines of operation fall within the same geographical location and regulatory environment.

6.3 The segmental report shown below links expenditure within the new departmental structure to Note 2 and covers the Department's total expenditure outturn for the financial year.

2011-12	Children, Young People & Families	Education Standards	Finance & Corporate Services	Infrastructure & Funding	Outturn Totals as per Note 2
	£000	£000	£000	£000	£000
Gross expenditure	2,692,810	1,100,223	224,494	52,328,494	**56,346,021**
Income	(10,006)	(1,667)	(5,009)	(27,381)	**(44,063)**
Net expenditure	**2,682,804**	**1,098,556**	**219,485**	**52,301,113**	**56,301,958**

6.4 The responsibilities of the reporting entities used for management reporting purposes are as follows:

- Children Young People and Families Directorate (CYPFD) their focus is to help children and young people have a more equal opportunity to benefit from an excellent education. The Directorate is developing and reforming the following: Foundation Years sector to ensure that all children are ready to thrive in an excellent school system, services that support children with Special Education Needs (SEN), disabilities and other health needs; the safeguarding system that protects and supports children at risk of harm; the care system; speeding up the process of adoption and services for the most disadvantaged young people. It has continued to deliver policies to underpin these system reform priorities, and so deliver core areas of responsibility consult on the role of the Director of Children's Services, and work to establish mechanisms for Local Authority performance assessment and improvement which will underpin the delivery of many of the reform priorities highlighted. Within CYPFD, Early Years Group focuses on improving support for children and families in the foundation years, by retaining a universal offer while also ensuring that services and opportunities reach those in greatest need. Also, radically reforming the current system for identifying, assessing and supporting children and young people who are disabled or have special educational needs and their families. This covers – Early Years entitlements, Early Years Foundation Stage, improving the workforce through Early Years Professional Status and New Leaders in Early Years programmes, Sure Start children's centres and through the Special Educational Needs and Disability Green Paper which made a strong case for reform and set out a vision of a new system.

- Education and Standards Directorate (ESD): the directorate's work is focused on achieving Ministers' objectives to raise standards and narrow gaps. To do that, they aim to reform and improve school performance so that no school is allowed to fail its pupils and all strive towards better levels of attainment for all. Establish and maintain a new curriculum which is a clear, robust and internationally respected body of knowledge against which achievement can be measured. Develop qualifications to make them the most rigorous in the world, providing a good basis for future education and employment and sharpen accountability arrangements so that parents can properly hold schools and children's services to account for delivering results. Workforce Group now called Teachers Group (ESD): Are responsible for workforce policy, including teacher's pension scheme and teachers pay, in relation to the schools workforce. Their overarching aim is to support schools in and to raise the standards of teaching by improving recruitment, training, and development and performance management arrangements for teachers. They will achieve this by improving the recruitment selection and training of teachers and leaders, supporting their professionalism and authority. We are working to support schools in developing a well-led teaching workforce that has the capacity to deliver creative and inspiring teaching to pupils.

- Finance and Corporate Services Directorate (FCSD): this directorate provides cross-departmental advice and support, together with advice to schools on value for money issues and financial management. Services to the Department include corporate financial monitoring, reporting and advice; HR services; commercial and procurement support and IT systems. The ALBs reform programme also sits within this directorate.

- Infrastructure and Funding Directorate (IFD): their primary focus is on reforming the education system and the way in which it is funded. The Directorate is responsible for leading the shift from a predominantly local authority maintained system of schooling to a more autonomous system through the delivery of the Academies and Free Schools programmes. The maintenance and reform of the funding system for both pre and post 16 education to a system which is transparent, where funding follows the pupil and where pupils with additional needs attract additional funding, responsibility for the policy on pre and post 16 capital funding including ensuring there are sufficient school places, maintenance and the Priority Schools Building programme as well as legislation on school premises, playing fields and health & safety issues related to school buildings and applying ministers' deregulatory principles to the wider school system.

6.5 The segments chosen reflect the way in which we have reported to the main departmental boards in the year. We have not prepared comparative 2010-11 information because, prior to the restructuring of the Department and its component business entities (the reporting segments), information was not collected and presented in the same way and it would be both impractical and costly to recreate it.

6.5 Reconciliation between operating segments and SOCNE

2011-12	**Children, Young People & Families £000**	**Education Standards £000**	**Finance & Corporate Services £000**	**Infrastructure & Funding £000**	**Outturn Totals as per Note 2 £000**
Total net expenditure per statement of comprehensive net expenditure by operating segment	**2,682,804**	**1,098,556**	**219,485**	**52,301,113**	**56,301,958**
Reconciling items:					
Income	–	(2,729)	(58)	–	(2,787)
Expenditure	(44)	(1,608)	(13,156)	(4,872)	(19,680)
Total net expenditure per statement of comprehensive net expenditure	**2,682,760**	**1,094,219**	**206,271**	**52,296,241**	**56,279,491**

7. Staff numbers and related costs

Staff costs consist:

					2011-12	2010-11
					£000	£000
	Permanently employed staff	Other	Ministers	Special advisers	Total	Total
Wages and salaries	246,188	26,898	264	151	273,501	310,509
Social security costs	20,778	18	26	15	20,837	22,905
Other pension costs	43,084	27	–	32	43,143	42,516
Past service costs	–	–	–	–	–	(35,817)[2]
Sub Total	**310,050**	**26,943**	**290**	**198**	**337,481**	**340,113**
Charged to admin staff costs	211,685	8,535	290	198	220,708	244,219
Charged to programme costs[1]	98,365	18,408	–	–	116,773	95,894
Sub Total	**310,050**	**26,943**	**290**	**198**	**337,481**	**340,113**
Less recoveries in respect of outward secondments	(418)	–	–	–	(418)	(1,048)
Total Net Costs	**309,632**	**26,943**	**290**	**198**	**337,063**	**339,065**
Of which						
Core department	138,946	2,514	290	198	141,948	133,882
Agencies	2,350	39	–	–	2,389	–
Other designated bodies	168,754	24,390	–	–	193,144	206,231
Sub Total	**310,050**	**26,943**	**290**	**198**	**337,481**	**340,113**
Less recoveries in respect of outward secondments	(418)	–	–	–	(418)	(1,048)
	309,632	**26,943**	**290**	**198**	**337,063**	**339,065**

1 Staff charged to programme costs consist mainly of Cafcass frontline social workers £92m (2010-11 £60m), and European School Teachers (EST) £10m (2010-11 – nil). 2011-12 is the first year that the Department has incurred the costs for EST, these costs had previously been recharged to BiS. Programme staff costs in 2010 -11 included costs for staff working on the Academies programme, the Corporate Transformation programme and Centre for Procurement Performance. Where still applicable, these costs have been reclassified as admin staff costs this year.

2 Past service costs arose as a result of changes to the inflation rate used to calculate the pension scheme obligations. The figure above is the net of any (gain)/loss resulting from both past and current service costs. See pension note 20 for more information.

PCSPS is an unfunded multi-employer defined benefit scheme. As such the Department for Education is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2011-12, employers' contributions of £ 32.78m were payable to the PCSPS (2010-11: £35.41m) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme's 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 2011-12 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £157,914 (2010-11: £227,706) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £11,699 (2010-11: £10,575), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £9,477 (2010-11: £7,312). Contributions prepaid at that date were nil.

In addition, Cafcass made contributions to the West Yorkshire Pension Fund of £10.8m (2010-11: £10.8m).

In 2011-12, the NCSL made total employer contributions to the Nottingham County Council Pension Fund of £1.53m (2010-11: £3.41m) that was made up of regular contributions (2010-11 figure includes £2.50m lump sum).

In 2011-12 BECTA made contributions to the London Pensions Fund Authority of £nil (2010-11, £1.67m).

Two persons (2010-11: one person) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £5,919.29 (2010-11: £2,147.05).

Further analysis of defined benefit pension schemes is available in Note 20.

Average number of persons employed

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

					2011-12 Number	2010-11 Number
	Permanently employed staff	**Other[1]**	**Ministers**	**Special advisers**	**Total**	**Total**
Number of staff charged to admin costs	4,129	179	6	2	4,316	4,319
Number of staff charged to prog costs	1,882	93	–	–	1,975	2,437
Total	**6,011**	**272**	**6**	**2**	**6,291**	**6,756**
Of which:						
Core department	2,500	50	6	2	2,558	2,570
Agencies	86	–	–	–	86	–
Other designated bodies	3,425	222	–	–	3,647	4,186
Total	**6,011**	**272**	**6**	**2**	**6,291**	**6,756**

7.1a Reporting of Civil Service and other compensation schemes: Core Department & Agencies exit packages

Previous year shown in brackets

	Core Department			Core Department & Agencies		
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
<£10,000	–	6 (18)	6 (18)	–	6 (18)	6 (18)
£10,001 – £25,000	–	42 (30)	42 (30)	–	43 (30)	43 (30)
£25,001 – £50,000	–	58 (33)	58 (33)	–	58 (33)	58 (33)
£50,001 – £100,000	–	47 (36)	47 (36)	–	47 (36)	47 (36)
£100,001 – £150,000	–	19 (13)	19 (13)	–	19 (13)	19 (13)
£150,001 – £200,000	–	4 (8)	4 (8)	–	4 (8)	4 (8)
£200,001 – £250,000	–	1 (3)	1 (3)	–	1 (3)	1 (3)
£250,001 – £300,000	–	(–)	(–)	–	(–)	(–)
£300,001 – £350,000	–	(–)	(–)	–	(–)	(–)
£350,001 – £400,000	–	(–)	(–)	–	(–)	(–)
£400,001 – £450,000	–	(1)	(1)	–	(1)	(1)
Total number of exit packages	–	177 (142)	177 (142)	–	178 (142)	178 (142)
Total costs (£)	–	9,382,351 (8,087,480)	9,382,351 (8,087,480)	–	9,390,346 (8,087,480)	9,390,346 (8,087,480)

7.1b Reporting of Civil Service and other compensation schemes: Departmental Group – exit packages

	Departmental Group		
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
<£10,000	49 (29)	111 (116)	160 (145)
£10,001 – £25,000	24 (20)	165 (136)	189 (156)
£25,001 – £50,000	5 (12)	114 (131)	119 (143)
£50,001 – £100,000	– (9)	72 (98)	72 (107)
£100,001 – £150,000	– (–)	23 (38)	23 (38)
£150,001 – £200,000	– (1)	6 (11)	6 (12)
£200,001 – £250,000	– (–)	2 (11)	2 (11)
£250,001 – £300,000	– (–)	– (–)	– (–)
£300,001 – £350,000	– (–)	1 (2)	1 (2)
£350,001 – £400,000	– (–)	– (2)	– (2)
£400,001 – £450,000	– (–)	– (1)	– (1)
Total number of exit packages	78 (71)	494 (546)	572 (617)
Total costs (£)	£733,000 (£1,592,891)	£18,212,206 (£25,269,426)	£18,945,206 (£26,935,317)

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 the departure is agreed. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

8. Other administration costs

	Note	Core Department 2011-12 £000	Core Department & Agencies 2011-12 £000	Depart'al Group 2011-12 £000	Core Department 2010-11 £000	Core Department & Agencies 2010-11 £000	Depart'al Group 2010-11 £000
Rentals under operating leases:							
Hire of plant and machinery		–	–	13	54	54	64
Other operating leases		10,905	10,911	16,630	10,938	10,938	13,730
Sub total		**10,905**	**10,911**	**16,643**	**10,992**	**10,992**	**13,794**
Non-cash items:							
Depreciation							
Civil Estate		925	925	964	884	884	1,215
Other property, plant and equipment		6,274	6,274	7,630	5,504	5,504	9,274
Amortisation of intangible assets		6,560	6,560	6,922	5,518	5,518	7,240
Permanent diminution in asset values		–	–	–	–	–	3,622
(Profit)/Loss on disposal of non current assets		36	36	61	406	406	1,281
Auditors remuneration		500	535	535	320	320	320
Total administration non-cash items		**14,295**	**14,330**	**16,112**	**12,632**	**12,632**	**22,952**
Professional fees		7,367	7,370	12,055	10,887	10,887	15,727
Travel and subsistence		2,999	3,095	6,626	2,365	2,365	8,664
Consultancy		515	521	705	1,847	1,847	8,134
Rates and service charges		4,835	4,835	5,729	4,166	4,166	6,873
Computers and telecoms costs		12,026	12,033	37,058	7,169	7,169	39,302
Utilities		1,797	1,797	1,866	1,301	1,301	1,710
Advertising and publicity		396	396	1,478	417	417	3,063
Other office services		4,096	4,108	7,385	5,290	5,290	9,485
Teachers Pension Scheme Contract expenditure[1]		15,012	15,018	15,018	–	–	–
Auditors Remuneration		–	–	581	–	–	670
Other expenditure		13,422	13,443	26,442	7,423	7,423	19,094
Total		**87,665**	**87,857**	**147,698**	**64,489**	**64,489**	**149,468**

1 The contract expenditure relates to the contract for administration of the Teachers' Pension Scheme which has been reclassified from programme costs to administration costs in 2011-12.

In the 2010-11 accounts, the administration costs of the core Department included provision movements of £587,000 and permanent diminution in asset values of £792,000 which have been restated as programme outturn in Note 9, in accordance with the Clear Line of Sight budgetary regime changes.

The auditors received no remuneration for non-audit work. The non cash fees above relate to work carried out for the Department & agencies, whereas the cash fees stated are for audit work carried out on the accounts of the Departments ALBs.

9. Programme costs

	2011-12 £000 Core Department	2011-12 £000 Core Department & Agencies	2011-12 £000 Department Group	2010-11 £000 Core Department	2010-11 £000 Core Department & Agencies	2010-11 £000 Department Group
Current grants, capital grants and other current expenditure:						
Basic Need schools capital grant	–	–	1,400,000	–	–	271,239
Building Schools for the Future capital grant	–	–	1,211,445	–	–	1,415,166
National Framework Academies capital grant	–	–	742,906	–	–	648,850
Maintenance capital grants to Local Authorities	–	–	1,004,406	–	–	820,730
Primary capital grant	–	–	–	–	–	
Other capital grants	189,060	189,060	663,753	1,050,842	1,050,842	3,403,716
Dedicated Schools Grant	32,743,759	32,743,759	32,743,759	30,477,568	30,477,568	30,477,568
Area Based Grant	–	–	–	994,329	994,329	994,329
Standard Fund	–	–	–	3,784,257	3,784,257	3,784,257
School Standard Grant	–	–	–	1,570,538	1,570,538	1,570,538
Pupil Premium	556,455	556,455	556,455	–	–	–
Early Intervention Grant	2,241,124	2,241,124	2,241,124	–	–	–
Sure Start current grants to Local Authorities	(1,076)	(1,076)	(1,076)	1,602,804	1,602,804	1,602,804
16-18 Apprenticeships	758,966	758,966	758,966	755,001	755,001	755,001
School Sixth Forms (Local Authority maintained)	–	–	1,585,466	–	–	2,184,108
School Sixth Forms (Academies and Free Schools)	–	–	829,128	–	–	225,887
Pre 16 participation (Academies)	–	–	5,288,992	–	–	1,782,669
16-19 further education	–	–	4,069,611	–	–	3,977,931
PFI special grant	–	–	599,583	–	–	–
Other current grants	458,319	458,319	1,358,257	1,035,758	1,035,758	2,397,464
Other current expenditure	112,132	124,321	687,597	397,923	397,923	1,059,861
Research & Development costs	11,585	11,585	12,172	24,717	24,717	25,972
Sub total	***37,070,324***	***37,082,513***	***55,752,544***	***41,693,737***	***41,693,737***	***57,398,090***

9. Programme costs (continued)

	2011-12 £000			2010-11 £000		
	Core Department	Core Department & Agencies	Department Group	Core Department	Core Department & Agencies	Department Group
Non-cash items:						
Depreciation	78	78	1,869	41	41	2,017
Amortisation	12,313	12,313	14,509	10,919	10,919	13,538
Profit/loss on disposal of property, plant and equipment	–	–	89	–	–	(24)
Permanent diminution in asset value	20	20	1,028	2,969	2,969	3,018
Financial asset reduction	–	–	–	74	74	74
Provisions:						
Provided in year	80,270	80,270	103,341	22,596	22,596	37,987
Not required written back	(3,140)	(3,140)	(6,643)	–	–	(16,393)
Discount in change revaluation	24	24	24	(159)	(159)	(159)
Borrowing costs (unwinding of discounts)	767	767	768	368	368	368
Sub total	***90,332***	***90,332***	***114,985***	***36,808***	***36,808***	***40,426***
Grant in Aid	19,043,711	19,043,711	–	16,154,922	16,154,922	–
Total	**56,204,367**	**56,216,556**	**55,867,529**	**57,885,467**	**57,885,467**	**57,438,516**

dedicated Schools Grants (DSG)

Total programme costs includes an amount of £32.7 billion for DSG which is paid to local authorities on the basis of an agreed formula for distribution to maintained schools to pay for day-to day running costs for the financial year. Local authorities are allowed to carry over unspent DSG to the following financial year for subsequent distribution to schools. Full data on 2011-12 outturn will not be available until the s251 Outturn statements are collected in November 2012. However, an early estimate is that at the end of 2010-11 £330 million (1.0 %) was carried forward to 2011-12.

In addition, schools carry over unspent DSG balances to future years. Similar estimates indicate that during 2010-11 school balances rose by £300 million (equivalent to 0.9% of DSG) to £1.96billion. Early indications for 2011-12, based on data from around 130 local authorities, are that school balances have increased by some £200 million (0.7% of DSG). The Department will however continue to monitor the total of balances and will consider further action to reduce the unspent balances.

2011-12 grants

Some 2010-11 grant funding streams have either ceased, merged or been replaced by different funding streams in 2011-12, therefore direct comparatives are inappropriate. Such grants include Area Based Grants, Standard Funds, Schools Standard Grants and Sure Start.

10. Income

	2011-12 £000			2010-11 £000		
	Core Department	**Core Department & Agencies**	**Department Group**	**Core Department**	**Core Department & Agencies**	**Department Group**
Administration income:						
Fees and charges to external customers	(225)	(225)	(191)	(137)	(137)	10
Rental income	(2,966)	(2,966)	(2,153)	(4,137)	(4,137)	(3,983)
Shared service income	(2,172)	(963)	(1,364)	(1,865)	(1,865)	(3,349)
Other miscellaneous	(1,282)	(1,282)	(1,350)	(1,098)	(1,098)	(2,649)
Sub Total	**(6,645)**	**(5,436)**	**(5,058)**	**(7,237)**	**(7,237)**	**(9,971)**
Programme income:						
Rental income	–	–	(28)	(6,442)	(6,442)	(6,442)
Area Based Grants income	–	–	–	(13,211)	(13,211)	(13,211)
Aim Higher	–	–	–	(25,333)	(25,333)	(25,333)
Think Family income	–	–	–	(17,071)	(17,071)	(17,071)
YPLA receipt[1]	(26,161)	(26,161)	(26,161)	(53,360)	(53,360)	(53,360)
GTCE Teachers' registration fees	–	–	(22,487)	–	–	(22,481)
Other income	(14,303)	(15,583)	(19,538)	(16,151)	(16,151)	(26,809)
Sub Total	**(40,464)**	**(41,744)**	**(68,214)**	**(131,568)**	**(131,568)**	**(164,707)**
Total Revenue	**(47,109)**	**(47,180)**	**(73,272)**	**(138,805)**	**(138,805)**	**(174,678)**

1 The YPLA receipt relates to income from the Department for Business, Innovation and Skills (BIS)/Skills Funding Agency (SFA) and the Ministry Of Justice for jointly managed projects where the Department has recharged some of the expenditure for those programmes. The reduction in income is reflective of decisions taken by BIS in their Spending Review.

11. Property, plant and equipment

Departmental Group 2010-11

	Land	Building	Leasehold Improvements	Information Technology	Plant & Machinery	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2010	4,255	41,807	8,584	47,443	458	29,790	26,696	159,033
Transferred in	–	–	–	60	–	–	–	60
Additions	209	4	4	1,438	5	691	7,731	10,082
Disposals	(25)	(78)	(6,248)	(9,524)	(55)	(3,793)	–	(19,723)
Reclassification	–	26,250	1,482	154	–	301	(28,811)	(624)
Revaluations	10,308	5,222	3	(539)	18	563	–	15,575
At 31 March 2011	**14,747**	**73,205**	**3,825**	**39,032**	**426**	**27,552**	**5,616**	**164,403**
Depreciation								
At 1 April 2010	–	9,638	6,262	34,275	347	12,982	–	63,504
Transferred in	–	–	–	17	–	–	–	17
Provided in year	–	1,732	751	6,432	35	3,556	–	12,506
Disposals	–	(15)	(5,415)	(9,513)	(42)	(3,344)	–	(18,329)
Reclassification	–	–	–	(720)	–	–	–	(720)
Revaluations	–	1,413	1,176	849	14	(251)	–	3,201
At 31 March 2011	**–**	**12,768**	**2,774**	**31,340**	**354**	**12,943**	**–**	**60,179**
Carrying amount at 31 March 2011	**14,747**	**60,437**	**1,051**	**7,692**	**72**	**14,609**	**5,616**	**104,224**
Carrying amount at 31 March 2010	**4,255**	**32,169**	**2,322**	**13,168**	**111**	**16,808**	**26,696**	**95,529**
Asset financing:								
Owned	14,747	60,437	1,051	7,692	72	14,609	5,616	104,224
Of the total:								
Department	14,006	38,360	–	5,609	57	11,093	5,607	74,732
Agencies	–	–	–	–	–	–	–	–
Other designated bodies	741	22,077	1,051	2,083	15	3,516	9	29,492
Carrying amount at 31 March 2011	**14,747**	**60,437**	**1,051**	**7,692**	**72**	**14,609**	**5,616**	**104,224**

11. Property, plant and equipment *(continued)*

Departmental Group 2011-12

	Land	Building	Leasehold Improvements	Information Technology	Plant & Machinery	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2011	14,747	73,205	3,825	39,032	426	27,552	5,616	164,403
Additions	–	3	–	1,551	3	16	4,854	6,427
Impairment	–	(174)	–	7	–	–	–	(167)
Disposals	–	(67)	(748)	(2,187)	(19)	(3,215)	–	(6,236)
Reclassification	–	–	–	6,081	–	62	(6,118)	25
Revaluations	(8)	103	–	42	10	522	–	669
At 31 March 2012	**14,739**	**73,070**	**3,077**	**44,526**	**420**	**24,937**	**4,352**	**165,121**
Depreciation								
At 1 April 2011	–	12,768	2,774	31,340	354	12,943	–	60,179
Provided in year	–	1,769	362	5,692	26	2,614	–	10,463
Impairment	–	226	–	186	–	39	–	451
Disposals	–	(47)	(697)	(2,301)	(19)	(3,154)	–	(6,218)
Reclassification	–	–	–	–	–	–	–	–
Revaluations	–	(221)	250	35	3	183	–	250
At 31 March 2012	**–**	**14,495**	**2,689**	**34,952**	**364**	**12,625**	**–**	**65,125**
Carrying amount at 31 March 2012	**14,739**	**58,575**	**388**	**9,574**	**56**	**12,312**	**4,352**	**99,996**
Carrying amount at 31 March 2011	**14,747**	**60,437**	**1,051**	**7,692**	**72**	**14,609**	**5,616**	**104,224**
Asset financing:								
Owned	14,739	58,575	388	9,574	56	12,312	4,352	99,996
Of the total:								
Department	14,006	37,383	–	8,891	44	9,320	4,352	73,996
Agencies	–	–	–	–	–	–	–	–
Other designated bodies	733	21,192	388	683	12	2,992	-	26,000
Carrying amount at 31 March 2012	**14,739**	**58,575**	**388**	**9,574**	**56**	**12,312**	**4,352**	**99,996**

Department's surveyors DTZ revalue land and buildings in accordance with the RICS Appraisal and Valuation Manual All property, plant and equipment were revalued on the basis of monthly indices, provided by the Office for National Statistics. The Department is not aware of any material change to the valuation of the properties since the last professional valuation by DTZ.

Assets under construction (AUC) relates to IT projects.

12. Intangible assets

Departmental Group 2010-11

	Software Licences	Developed Software	Teachers' TV Programmes	Assets Under Construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2010	13,733	40,604	40,781	29,191	124,309
Additions	1,739	1,976	–	13,107	16,822
Disposals	(103)	(447)	(4,520)	–	(5,070)
Impairment	–	(208)	–	–	(208)
Reclassification	608	22,020	8,356	(30,360)	624
Revaluations	(194)	(2,183)	2,654	–	277
At 31 March 2011	**15,783**	**61,762**	**47,271**	**11,938**	**136,754**
Amortisation					
At 1 April 2010	10,233	16,824	18,972	–	46,029
Charged in year	1,724	10,475	8,579	–	20,778
Disposals	(103)	(447)	(4,520)	–	(5,070)
Reclassification	–	720	–	–	720
Revaluations	(132)	1,493	1,566	–	2,927
At 31 March 2011	**11,722**	**29,065**	**24,597**	**–**	**65,384**
Carrying amount at 31 March 2011	**4,061**	**32,697**	**22,674**	**11,938**	**71,370**
Carrying amount at 31 March 2010	**3,500**	**23,780**	**21,809**	**29,191**	**78,280**
Asset financing:					
Owned	4,061	32,697	22,674	11,938	71,370
Of the total:					
Department	2,327	27,574	22,674	11,930	64,505
Agencies	–	–	–	–	–
Other designated bodies	1,734	5,123	–	8	6,865
Carrying amount at 31 March 2011	**4,061**	**32,697**	**22,674**	**11,938**	**71,370**

12. Intangible assets *(continued)*

Departmental Group 2011-12

	Software Licences £000	Developed Software £000	Teachers' TV Programmes £000	Assets Under Construction £000	Total £000
Cost or valuation					
At 1 April 2011	15,783	61,762	47,271	11,938	136,754
Additions	593	1,229	–	6,607	8,429
Impairment	(79)	(229)	–	–	(308)
Disposals	(4,679)	(5,073)	(8,347)	–	(18,099)
Reclassification	532	9,762	1,886	(12,205)	(25)
Revaluations	(3)	28	1,530	–	1,555
At 31 March 2012	**12,147**	**67,479**	**42,340**	**6,340**	**128,306**
Amortisation					
At 1 April 2011	11,722	29,065	24,597	–	65,384
Charged in year	2,122	11,441	7,868	–	21,431
Impairments	102	–	–	–	102
Disposals	(4,660)	(5,073)	(8,347)	–	(18,080)
Revaluations	90	18	534	–	642
At 31 March 2012	**9,376**	**35,451**	**24,652**	**–**	**69,479**
Carrying amount at 31 March 2012	**2,771**	**32,028**	**17,688**	**6,340**	**58,827**
Carrying amount at 31 March 2011	**4,061**	**32,697**	**22,674**	**11,938**	**71,370**
Asset financing:					
Owned	2,771	32,028	17,688	6,340	58,827
Of the total:					
Department	2,173	30,960	17,688	6,100	56,921
Agencies	–	–	–	–	–
Other designated bodies	598	1,068	–	240	1,960
Carrying amount at 31 March 2012	**2,771**	**32,028**	**17,688**	**6,340**	**58,827**

Intangible assets were revalued on the basis of monthly indices provided by the Office for National Statistics.

The majority of assets under construction (AUC) relate to programme developed software projects.

13. Financial Instruments

As the cash requirements of the department are met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relates to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

International Financial Reporting Standard IFRS 7, *Financial Instruments: Disclosures*, enables users of financial statements to evaluate:

a) the significance of financial instruments for the entity's financial position and performance; and

b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the reporting period, and how those risks are managed.

Due to the largely non-trading nature of its activities and the way in which government departments are financed, the Department is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the limited companies to which IFRS 7 mainly applies. The Department has very limited powers to borrow or invest surplus funds and, except for relatively insignificant purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities.

Liquidity risk

The Department's net revenue resource requirements (as well as its capital expenditure) are financed by resources voted annually by Parliament. The Department is therefore not exposed to any significant liquidity risks.

Interest-rate risk

The Department's assets and liabilities carry either nil or fixed rates of interest and is not therefore exposed to significant interest-rate risk.

Foreign currency risk

The Department's exposure to foreign currency risk is low. The foreign currency income received by the Department is negligible and foreign currency expenditure is less than 0.01% of total gross expenditure, and therefore, is not significant.

Credit risk

The Department's exposure to credit risk is very low. Credit risk is the risk that a service user or counter party to a financial instrument will fail to pay amounts due causing financial loss to the Department and arises principally from cash and outstanding debt. The Department has a credit (receivables) policy that ensures consistent processes are in place throughout the Department to measure and control credit risk.

For loans and receivables not carried at fair value, there is no active market for them and there is no intention to sell. Therefore, we do not disclose fair value comparatives.

14. Investments in other public sector bodies

Other financial assets – loans and receivables

	Finance lease – Core	Academies Loans	School loans	Total	Eliminated on consolidation	Dep'tal Group
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2010	20,722	–	646	21,368	(20,722)	646
Amounts previously transferred to receivables 2009-10	35	–	1,290	1,325	(35)	1,290
Total outstanding at 1 April 2010	**20,757**	**–**	**1,936**	**22,693**	**(20,757)**	**1,936**
Additions	–		–	–		
Repayments	(34)	–	(1,289)	(1,323)	34	(1,289)
	20,723	**–**	**647**	**21,370**	**(20,723)**	**647**
Repayable within one year transferred to receivables	(36)		(43)	(79)	36	(43)
Balance at 31 March 2011	**20,687**	**–**	**604**	**21,291**	**(20,687)**	**604**

14. Investments in other public sector bodies (continued)

Other financial assets – loans and receivables

	Finance lease – Core	Academies Loans	School loans	Total	Eliminated on consolidation	Dep'tal Group
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2011	20,687	–	604	21,291	(20,687)	604
Amounts previously transferred to receivables 2010-11	36	–	43	79	(36)	43
Total outstanding at 1 April 2011	**20,723**	**–**	**647**	**21,370**	**(20,723)**	**647**
Additions	–	4,902	–	4,902	–	4,902
Repayments	(36)	–	(44)	(80)	36	(43)
	20,687	**4,902**	**604**	**26,192**	**(20,687)**	**5,507**
Repayable within one year transferred to receivables	(37)	–	(46)	(83)	37	(46)
Balance at 31 March 2012	**20,650**	**4,902**	**558**	**26,109**	**(20,650)**	**5,461**
Analysis of expected timing of present value of minimum lease payments receivable						
Later than one year and not later than five years	161	4,903	156	5,220	(161)	5,059
Later than five years	20,489	–	402	20,889	(20,489)	402
Balance at 31 March 2012	**20,650**	**4,903**	**558**	**26,109**	**(20,650)**	**5,461**

The school loans above are loans issued to voluntary aided schools for capital projects under Schedule 3 of the Schools Standards & Framework Act 1998 (SSFA 1998). Interest is charged in accordance with the HM Treasury lending rates. At 31 March 2012 there were two outstanding loans (two in 2010-11), and all balances are scheduled for repayment by 2025.

Academy loans are issued to Local Authorities to assist with the deficit funding following conversion of a school; the loans are fully repayable by the Academy by reduction of their grant over a period of time.

The Department is the lessor of a finance lease in respect of the NCSL building on the Nottingham University Campus. The repayments from NCSL are eliminated on consolidation of the group accounts.

Risks associated with other financial assets are disclosed in note 13.

15. Impairment

The total impairment charge for the year, charged to Net Expenditure is as flows:

	Note	2011-12 £000	2010-11 £000
Land & Buildings		400	1,181
Furniture & Fittings		39	–
IT & Telecoms		179	792
Intangible		410	4,667
	8, 9	**1,028**	**6,640**

Figures for Impairment can be found under the heading 'Permanent diminution in asset value'.

	2011–12 £000	2010–11 £000
Note 8	–	3,622
Note 9	1,028	3,018
Total	**1,028**	**6,640**

16. Trade receivables and other current assets

			2011-12 £000			2010-11 £000
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Amounts falling due within one year:						
Trade receivables	8,987	8,987	16,643	7,834	7,834	14,894
VAT	1,806	1,806	1,642	779	779	1,043
Deposits and advances	404	404	1,091	409	409	8,545
Other receivables	2,885	2,885	28,799	110	110	6,531
Prepayments and accrued income	30,299	31,578	74,150	31,864	31,864	52,955
Amounts due from the Consolidated Fund for supply but undrawn at year end	–	–	–	22,810	22,810	22,810
	44,381	**45,660**	**122,325**	**63,806**	**63,806**	**106,778**
Amounts falling due after more than one year:						
Trade receivables	–	–	12	–	–	12
Deposit and advances	–	–	–	–	–	–
Other receivables	–	–	–	–	–	–
Prepayments and accrued income	5,669	5,669	5,669	5,692	5,692	5,692
	5,669	**5,669**	**5,681**	**5,692**	**5,692**	**5,704**

16.1 Intra-Government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2011-12	**2010-11**	**2011-12**	**2010-11**
	£000	**£000**	**£000**	**£000**
Balances with other central government bodies	70,161	67,193	–	440
Balances with local authorities	20,499	15,307	–	1,029
Balances with NHS Trusts	2	7	–	7
Balances with public corporations and trading funds	2	119	–	–
Sub total – intra-government balances	**90,664**	**82,626**	**–**	**1,476**
Balances with bodies external to government	31,661	24,152	5,681	4,228
Total receivables at 31 March	**122,325**	**106,778**	**5,681**	**5,704**

17. Cash and cash equivalents

			2011-12			**2010-11**
			£000			**£000**
	Core Department	**Core Department & Agencies**	**Departmental Group**	**Core Department**	**Core Department & Agencies**	**Departmental Group**
Balance at 1 April	(22,805)	(22,805)	102,238	13,915	13,915	81,692
Net change in cash and cash equivalent balances	56,404	56,404	129,386	(36,720)	(36,720)	20,546
Balance at 31 March	**33,599**	**33,599**	**231,624**	**(22,805)**	**(22,805)**	**102,238**
The following balances at 31 March 2012 are held at:						
Government Banking Service	33,465	33,465	212,030	–	–	109,274
Government Banking Service overdraft	–	–	–	(22,849)	(22,849)	(22,849)
Commercial banks and cash in hand	134	134	19,594	45	45	15,814
Commercial banks and cash in hand overdraft	–	–	–	(1)	(1)	(1)
Balance at 31 March	**33,599**	**33,599**	**231,624**	**(22,805)**	**(22,805)**	**102,238**

18. Trade payables and other current liabilities

	2011-12 £000			2010-11 £000		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Amounts falling due within one year:						
Other taxation and social security	3,165	3,300	5,836	2,936	2,936	6,687
Trade payables	39,948	40,238	42,528	20,007	20,007	32,706
Other payables	2,452	2,527	7,332	2,838	2,838	22,472
Accruals and deferred income	191,918	195,665	308,084	223,471	223,471	333,766
Finance leases	–	–	–	–	–	–
Deferred capital grant	–	–	–	–	–	47
Amounts issued from the Consolidated Fund for Supply but not spent at year end	33,541	33,541	33,541	–	–	–
Consolidated Fund extra receipts due to be paid to the Consolidated Fund						
Received	58	58	58	6	6	6
Receivable	2,729	2,729	2,729	–	–	–
	273,811	**278,058**	**400,108**	**249,258**	**249,258**	**395,684**
Amounts falling due after more than one year:						
Other payables, accruals and deferred income	–	–	–	–	–	2,467
Finance leases	–	–	–	–	–	–
Deferred Capital Grant	–	–	563	–	–	962
	–	**–**	**563**	**–**	**–**	**3,429**

18.1 Intra-Government balances

	Amount falling due within one year:		Amounts falling due after more than one year:	
	2011-12 £000	2010-11 £000	2011-12 £000	2010-11 £000
Amounts falling due within one year:				
Balances with other central government bodies	120,213	110,305	563	1,613
Balances with local authorities	116,970	121,048	–	508
Balances with NHS Bodies	23	40	–	6
Balances with public corporations and trading funds	647	877	–	1,302
Sub total – intra-government balances	**237,853**	**232,270**	**563**	**3,429**
Balances with bodies external to government	162,255	163,414	–	–
Total payables at 31 March	**400,108**	**395,684**	**563**	**3,429**

19. Provisions for liabilities and charges

	2011-12			2010-11		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000	£000	£000
Balance at 1 April	36,427	36,427	55,549	25,837	25,837	69,602
Provided in year	80,270	80,270	103,341	22,596	22,596	37,987
Provisions not required written back	(3,140)	(3,140)	(6,643)	–	–	(16,393)
Provisions utilised in the year	(22,311)	(22,311)	(30,077)	(12,215)	(12,215)	(35,856)
Pension Liabilities transferred to provision	–	–	7,880	–	–	–
Borrowing costs (unwinding of discounts)	767	767	768	368	368	368
Change in discount rate	24	24	24	(159)	(159)	(159)
Balance at 31 March	**92,037**	**92,037**	**130,842**	**36,427**	**36,427**	**55,549**

Analysis of expected timing of discounted flows

		2011-12			2010-11		
	Note	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
		£000	£000	£000	£000	£000	£000
Not later than one year		23,694	23,694	47,575	11,447	11,447	24,612
Later than one year and not later than five years		67,189	67,189	79,566	22,633	22,633	28,117
Later than five years		1,154	1,154	3,701	2,347	2,347	2,820
Balance at 31 March		**92,037**	**92,037**	**130,842**	**36,427**	**36,427**	**55,549**

	Early departure costs	Retirement Compensation	Property provision	Others	Total
Not later than one year	13,081	12,000	10,516	11,978	47,575
Later than one year and not later than five years	10,272	56,012	7,118	6,164	79,566
Later than five years	1,697	–	2,004	–	3,701
Balance at 31 March	**25,050**	**68,012**	**19,638**	**18,142**	**130,842**

Early departure costs

The Department meets the additional costs of benefits beyond normal PCSPS benefits in respect of employees who retire early, and compensation payments payable to employees who take early severance. The Department provides for this in full when the early retirement programme becomes binding on the Department by establishing a provision for the estimated payments discounted by the Treasury rate of 2.8% in real terms (2.9% in 2010-11).

From 2011-12, any Voluntary Early Release is incurred in the year and is therefore no longer required to be accounted for as a provision.

Retirement Compensation

A provision has been identified in relation to a long standing liability to fund compensation to teachers in ex grant-maintained schools and colleges and a pension liability for ex-employees of the Schools Council, Training Commission and other ex-NDPBs, which the Department is making contributions towards.

Property provision

This provision provides for the future liabilities relating to former programme property leases which were re-assigned to the Secretary of State on the closure of the relevant programmes and the estimated payments are discounted by the Treasury rate of 2.2% in real terms (2.2% in 2010-11). The provision is based on the anticipation that the property leases for buildings used by ALBs will expire in 2015, and the anticipated disposal for the last TEC property will be in 2018.

Other provision

'Other provisions' includes various different categories of provisions held by ALBs, the details of which can be found in the individual ALBs accounts.

20. Pension assets and liabilities

Amounts recognised in the financial statements in respect of the various defined benefit schemes are set out in the tables below.

	2011-12				2010-11			
	BECTA	**CAFCASS**	**NCSL**	**Total**	**BECTA**	**CAFCASS**	**NCSL**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Analysis of amounts charged to Statement of Comprehensive Net Expenditure:								
Current service cost	0	10,636	1,531	12,167	1,678	13,691	2,335	17,704
Past service cost/(gain)	0	662	0	662	(2,071)	(42,658)	(4,428)	(49,157)
Loss/(gain) on curtailments and settlements		0	813	813	4,024	0	12	4,036
Total cost	0	11,298	2,344	13,642	3,631	(28,967)	(2,081)	(27,417)
Analysis of amounts charged to Interest payable:								
Expected return on scheme assets	0	(21,166)	(2,598)	(23,764)	(2,139)	(16,569)	(2,239)	(20,947)
Interest on scheme liabilities	0	20,468	2,037	22,505	2,441	22,255	2,360	27,056
Net (benefit)/cost	0	(698)	(561)	(1,259)	302	5,686	121	6,109
Analysis of amounts recognised in other comprehensive (income)/expenditure:								
Total actuarial gains/(loss)	0	(18,301)	(9,258)	(27,559)	1,451	38,094	4,494	44,039
Actuarial (gains)/loss recognised in other comprehensive (income)/expenditure	0	(18,301)	(9,258)	(27,559)	1,451	38,094	4,494	44,039
Amounts recognised in the statement of financial position:								
Present value of defined benefit obligations	0	(435,173)	(47,247)	(482,420)	(36,826)	(406,741)	(36,408)	(479,975)
Fair value of scheme assets	0	287,206	39,367	326,573	32,597	276,192	38,048	346,837
	0	(147,967)	(7,880)	(155,847)	(4,229)	(130,549)	1,640	(133,138)
Transferred to Provision	-	-	7,880	7,880	-	-	-	-
Pension liabilities recognised in the statement of financial position	0	(147,967)	0	(147,967)	(4,229)	(130,549)	1,640	(133,138)
Movements in the present value of defined benefit obligations:								
At 1 April 2011	36,826	406,741	36,408	479,975	31,601	430,526	42,974	505,101
Current service cost	0	10,636	1,531	12,167	1,678	13,691	2,335	17,704
Interest cost	0	20,468	2,037	22,505	2,441	22,255	2,360	27,056
Employee contributions	0	3,946	546	4,492	499	4,304	627	5,430
Past service cost	0	662	0	662	(2,071)	(42,658)	(4,428)	(49,157)
Actuarial (gain)/loss	0	2,649	7,580	10,229	(139)	(17,421)	(6,523)	(24,083)
Benefits paid	0	(9,929)	(1,668)	(11,597)	(1,207)	(3,956)	(949)	(6,112)
Losses/(gains) on curtailments	0	0	813	813	4,024	0	12	4,036
Offset from fair value of scheme assets	(32,597)	-	-	(32,597)	-	-	-	-
Settlement	(4,229)	-	-	(4,229)	-	-	-	-
At 31 March 2012	0	435,173	47,247	482,420	36,826	406,741	36,408	479,975
Movements in the fair value of the scheme assets:								
At 1 April 2011	32,597	276,192	38,048	346,837	18,513	227,611	34,747	280,871
Employer contributions	0	11,483	1,521	13,004	11,341	10,991	3,413	25,745
Employee contributions	0	3,946	546	4,492	499	4,304	627	5,430
Actuarial gain/(loss)	0	(15,652)	(1,678)	(17,330)	1,312	20,673	(2,029)	19,956
Benefits paid	0	(9,929)	(1,668)	(11,597)	(1,207)	(3,956)	(949)	(6,112)
Expected return on scheme assets	0	21,166	2,598	23,764	2,139	16,569	2,239	20,947
Offset against defined benefit obligations	(32,597)	-	-	(32,597)	-	-	-	-
At 31 March 2012	0	287,206	39,367	326,573	32,597	276,192	38,048	346,837

20.1 BECTA

BECTA ceased its operational activities in December 2010 and it left the Departmental Group as of 31 March 2011. It was placed under voluntary members' liquidation on 01 April 2011. A valuation exercise undertaken by the actuaries valued the pension settlement at £4.229m.

The London Pension Fund Authority (LPFA) is a funded scheme with assets held in a separate trustee administered funds. The final valuation of this scheme for funding purposes was as at 31 March 2010.The valuation report was drawn up on a cessation basis which is consistent with the basis of preparation of the financial statements. Changes in assumptions as a result of the cessation basis of valuation have been accounted for as a curtailment.

A report from the scheme actuary was received in June 2011 providing the charitable company with a projected scheme valuation. This confirmed the settlement valuation which was made prior to 30 June 2011, being the date when the charitable company as an employer under the scheme ceased to exist.

The liability was settled in 2011-12.

20.2 CAFCASS

West Yorkshire Pensions Funds actuary, Hewitt Associates Limited, carried out an IAS19 valuation for Cafcass as at 31st March 2012.

The scheme provides funded defined benefits based on final pensionable salary. The assets of the scheme are held separately from those of Cafcass and are invested in managed funds. Employer contribution rates are determined by a qualified actuary and on the basis of triennial valuations.

Cafcass accounts for scheme liabilities in accordance with IAS19 – Employee benefits. The in year current service cost has been reflected in the Statement of Comprehensive Net Expenditure.

In addition to the disclosure contained in the Financial Statements, the following disclosures are in accordance with that standard.

The actual employer pension contribution for 2011-12 is £11.483m (2010-11 £10.991m)

The major categories of plan assets as a percentage of total plan assets are as follows:

	2012	**2011**
Equities	70.1%	73.4%
Government bonds	13.5%	11.7%
Other bonds	5.2%	3.8%
Property	3.8%	3.5%
Cash/liquidity	1.9%	1.7%
Other	5.5%	5.9%

Scheme assets:

The scheme assets are valued at "fair value", the assets are not intended to be realised in the short term and may be subject to significant change before they are realised. The liabilities are valued based on the present value of the schemes liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain.

	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000
Defined benefit obligation	(435,173)	(406,741)	(430,526)	(275,194)	(314,657)
Plan assets	287,206	276,192	227,611	162,879	194,999
Surplus/(deficit)	(147,967)	(130,549)	(202,915)	(112,315)	(119,658)
Experience gains/(losses) on liabilities	(2,124)	(6,711)	1,276	39,405	(34,317)
Experience gains/(losses) on assets	(15,652)	20,673	45,884	(53,167)	(20,565)

Actual return on assets:

	2011-12 £000	2010-11 £000
Expected return on assets	21,166	16,569
Actuarial gain/(loss) on assets	(15,652)	20,673
Actual return on assets	**5,514**	**37,242**

The major financial assumptions used in the valuation were:	**2011-12**	**2010-11**
Rate of inflation	2.50%	2.80%
Expected return on plan assets	7.10%	7.70%
Rate of increase in salaries	3.50%	3.70%
Rate of return on pensions	2.50%	2.80%
Discount rate	4.70%	5.00%

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions, which due to the timescales covered may not be borne out in practice.

Analysis of amounts recognised in Other Comprehensive Expenditure:

	2011-12 £000	2010-11 £000	2009-10 £000	2008-09 £000	2007-08 £000
Difference between the expected and actual return on scheme assets	(15,652)	20,673	45,884	(53,167)	(20,565)
Percentage of scheme assets	5%	7%	20%	(33%)	(11%)
Experience gains and losses on scheme liabilities	(2,649)	17,421	(128,483)	39,405	(34,317)
Percentage of present value of the scheme liabilities	1%	4%	(30%)	14%	(11%)
Changes in assumption	0	0	0	0	(11,568)
Total amount recognised in Other Comprehensive Expenditure	**(18,301)**	**38,094**	**(82,599)**	**(13,762)**	**(66,450)**
Percentage of present value of the scheme liabilities	**(4%)**	**9%**	**(19%)**	**5%**	**(21%)**

20.3 NCSL

Pensions costs are assessed every three years in accordance with the advice of a qualified independent actuary. The latest valuation is as at 31st March 2010. The assumptions and other data that have the most significant effect on the determination of the contribution levels are provided in the following tables.

In 2011-12, NCSL made total employer contributions to the fund of £1.521m (2011: £3.413m) that was made up of regular contributions (2011 figure includes £2.5m lump sum). The pension deficit of £7.880m (2011: £1.640m surplus) was transferred to a provision to reflect the cessation costs of leaving the scheme.

Contribution rates with effect from 1 April 2011	**As a percentage of pensionable pay**
Employer	10.8%
Employees	
Band 1 £0–£12,600	5.5%
Band 2 >£12,600–£14,700	5.8%
Band 3 >£14,700–£18,900	5.9%
Band 4 >£18,900–£31,500	6.5%
Band 5 >£31,500–£42,000	6.8%
Band 6 >£42,000–£78,700	7.2%
Band 7 >£78,700	7.5%

IAS 19 reporting requirements

Information is based upon the full triennial actuarial valuation of the fund as at 31st March 2010, estimated whole-fund income and expenditure items for the period to 31st March 2012 and estimated whole-fund returns for the period to 31st March 2012 based on actual fund returns for the period to 31st December 2011 and then market returns (estimated where necessary) for the period to 31st March 2012.

Demographic assumptions:
Life expectancy from age 65 years

Retiring today	Males	18.60
	Females	22.70
Retiring in 20 years	Males	20.60
	Females	24.50

Financial assumptions as at	**31 March 2012**		**31 March 2011**		**31 March 2010**	
	Real	% pa	Real	% pa	Real	% pa
Price increases	–	3.3%	–	3.5%	–	3.9%
Salary increases	1.4%	4.7%	1.5%	5.0%	1.5%	5.4%
Pension increases	(0.8%)	2.5%	(0.8%)	2.7%	–	3.9%
Discount rate	1.3%	4.6%	1.9%	5.5%	1.5%	5.5%

The discount rate is the yield on the iBoxx AA rated over 15 year corporate bond index.

The expected return on fund assets is based on the long-term expected investment return for each asset class at the beginning of the period (ie as at 1st April 2011 for the year to 31st March 2012). The return on gilts and other bonds is assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

The following expected returns have been adopted:

Asset class	**Expected return % as at**		
	1 April 2012	**1 April 2011**	**1 April 2010**
Equities	6.2%	7.3%	7.4%
Gilts	3.3%	4.4%	4.5%
Bonds	4.6%	5.5%	5.5%
Property	5.7%	6.8%	6.9%
Cash	3.0%	3.0%	3.0%

Statement of financial position disclosure of net National College pension assets	**31 March 2012**	**31 March 2011**	**31 March 2010**
	£000	**£000**	**£000**
Present value of funded obligation	47,247	36,408	42,974
Fair value of scheme assets (bid value)	39,367	38,048	34,747
Net (liability)/asset in statement of financial position	**(7,880)**	**1,640**	**(8,227)**
Transferred to Provision	**7,880**	**–**	**–**

Sensitivity analysis showing the impact of a change in discount rate and mortality age rating assumptions on total obligation and projected service cost

	£000	**£000**	**£000**
Adjustment to discount rate	**+0.1%**	**0%**	**-0.1%**
Present value of total obligation	45,878	47,247	48,661
Projected service cost	1,792	1,876	1,963
Adjustment to mortality age rating assumption	**+ 1 year**	**None**	**-1 year**
Present value of total obligation	45,417	47,247	49,102
Projected service cost	1,785	1,876	1,968

Amounts for the current and previous periods

	Year to 31 March 2012	**Year to 31 March 2011**	**Year to 31 March 2010**	**Year to 31 March 2009**	**Year to 31 March 2008**
	£000	**£000**	**£000**	**£000**	**£000**
Defined benefit obligation	(47,247)	(36,408)	(42,974)	(25,848)	(28,999)
Scheme assets	39,367	38,048	34,747	24,036	27,823
(Deficit)/surplus	(7,880)	1,640	(8,227)	(1,812)	(1,176)
Experience adjustments on scheme assets	(1,678)	(2,029)	6,615	(7,170)	(646)
Experience adjustments on scheme liabilities	–	(2,617)	–	–	1,841

Movements in actuarial loss

	Year to 31 March 2012 £000	Year to 31 March 2011 £000
Actual return less expected return on pension scheme assets	**(1,678)**	**374**
Experience gains and losses		**(5,020)**
Change in assumptions underlying the present value of scheme liabilities	**(7,580)**	**9,140**
Actuarial gain/(loss) in pension scheme	**(9,258)**	**4,494**

Projected pension expense for the year to 31 March 2013

	Year to 31 March 2013 £000
Service cost	1,876
Interest cost	2,190
Return on assets	(2,263)
Total	**1,803**
Employer contributions	872

Figures exclude the capitalised cost of any early retirements or augmentations that may occur after 31st March 2012.

21. Capital and other commitments

21.1 Capital commitments

			2011-12			2010-11
	£000	£000	£000	£000	£000	£000
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Contracted and approved commitments at 31 March not otherwise included in these financial statements						
Property, Plant & equipment	–	–	26	–	–	36
Intangible assets	936	936	974	–	–	52
Total	**936**	**936**	**1,000**	**–**	**–**	**88**

The commitment noted above for the Core Department relates to future capital commitments for the ALB reform programme.

21.2 Commitments under leases

21.2.1 Operating Leases

Total future minimum lease payments under operating leases are given to the table below for each of the following periods.

			2011-12			**2010-11**
	Core Department	**Core Department & Agencies**	**Departmental Group**	**Core Department**	**Core Department & Agencies**	**Departmental Group**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Obligations under operating leases for the following periods comprise:						
Land and buildings:						
Not later than one year	24,135	24,135	31,445	23,564	23,564	32,956
Later than one year and not later than five years	69,624	69,624	86,713	67,146	67,146	94,296
Later than five years	10,625	10,625	29,007	23,629	23,629	56,141
	104,384	**104,384**	**147,165**	**114,339**	**114,339**	**183,393**
Expected receipts from subleases	(5,210)	(5,210)	(5,210)	(15,871)	(15,871)	(15,871)
	99,174	**99,174**	**141,955**	**98,468**	**98,468**	**167,522**
Other:						
Not later than one year	64	64	989	279	279	1,236
Later than one year and not later than five years	–	–	244	50	50	936
Later than five years	–	–	–	–	–	–
	64	**64**	**1,233**	**329**	**329**	**2,172**

22. Contingent liabilities not required to be disclosed under IAS 37 but included for Parliamentary reporting and accountability

Quantifiable

The Department has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities, or by giving letters of comfort. None of these is a contingent liability under the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote.

	1 April 2011	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2012	Amount reported to Parliament by Departmental Minute
	£000	£000	£000	£000	£000	£000
In respect of the lease of property in Histon, Cambridge[4]	980	–	(76)	(904)	–	–
In respect of legal claims against QCDA[5]	2,000	–	–	(2,000)	–	–
In respect of PFI contracts to Academies[6]	2,100,000	–	–	–	2,100,000	–
In respect of guarantee of payment of salaries[7]	149	–	–	(149)	–	–
Free School Norwich Commercial Lease: Abortive Legal Fees[8]	12	–	–	(12)	–	–
Free Schools Group for Principal designates[9]		1,051			1,051	–
In respect of liabilities that arise from Commercial/EPC staff[10]		81	(22)		59	–

22.1 Contingent liabilities under IAS 37

Under paragraph 7 of the Schools Standards Framework Act 1998, the Secretary of State has a statutory duty to indemnify any adjudicator against any reasonable cost and expense reasonably incurred by him in connection with any decision taken in pursuit of his statutory duty. Adjudicator decisions can be challenged through judicial review. It is not possible to quantify this.

3 In order to ensure the continued occupancy of a surplus government office, the lease of the property in Histon, Cambridge was assigned in 2003 to Opportunity Links Ltd. The tenants, [Opportunity Links] went into Administration during 2011-12 and the Landlord approached the Department to take responsibility for the property. As a result employees from the EFA were relocated to the property resulting in our bearing costs of £76k in 2011-12 and taking on the remaining lease.

4 The Department will give an indemnity in respect of legal claims against the Qualifications and Curriculum Development Agency (QCDA) arising from claims materialising from the National Curriculum Test (NCT) 2009 contract. The indemnity was for QCDA in respect of possible legal claims over the early termination of the National Curriculum Test delivery contract with ETS Europe in July 2008 and the letting of the 2009 NCT contract with Pearson/Edexel. QCDA reached a settlement with ETS Europe and the risk of legal claims has expired.

5 Contingent liabilities in connection to Private Finance Initiative (PFI) contracts to Academies. These contingent liabilities are the result of the Department providing an indemnity to the local authority for potential costs on buildings they own, with existing PFI arrangements, which will be used by the Academies. This type of indemnity is considered to be low risk and is only a feature of the Academies programme in very specific circumstances. These contingent liabilities only arise where an Academy is using a local authority building with an existing PFI contract.

6 Two Free Schools – Guarantee of payment of salaries for Principal and/or Head teacher while funding agreement is not signed. As the Free schools were approved in year the liability of the Department disappears and there is no guarantee held.

7 Free School Norwich Commercial Lease: Abortive Legal Fees.

8 Free Schools Group for Principal designates. The majority of contingent liabilities recorded by Free School Group currently relate to the potential costs that maybe incurred resulting from the engagement of staff prior to the opening of a Free School e.g. head teacher/ deputy head teacher. It is important that the senior staff likely to be running the school once it is opened, are involved and take forward the development of the potential Free School prior to opening. These staff will, in many cases have had to tender their resignation at an existing school to take up their post in the Free School. The Department has agreed to underwrite the salaries of these staff for up to two terms in the event that the Free School does not open as planned. Each potential liability is calculated on an individual basis for each project. Once the Free School opens the liability will expire.

9 Liabilities that arise from Commercial/EPC staff who have been made redundant and may seek redress through an Employment Tribunal

23. Losses and special payments

23.1 Losses statement

The total of all losses that have been brought to account in this year are as follows:

	2011-12			2010-11		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Total number of cases	88	88	185	175	175	263
	£000	£000	£000	£000	£000	£000
Cash losses	42	42	268	13,724	13,724	13,725
Fruitless payments and constructive losses[1]	595	595	7,049	8,872	8,872	10,673
Claims waived or abandoned	1	1	194	1,266	1,266	1,278
Administration losses[2]	–	–	1,789	–	–	3,751
Store losses	–	–	–	–	–	1
	638	**638**	**9,300**	**23,862**	**23,862**	**29,428**

1 Included within fruitless payments and constructive losses in 2011-12 are two cases that individually exceed £250,000 relating to onerous leases for the General Teaching Council for England (GTCE) and the Children's Workforce Development Council (CWDC). Since neither ALB is getting the benefit of the expenditure following the decision to close the bodies, £6,157k and £633k respectively have been treated as a constructive loss. The Department for Education are in commercial negotiations to mitigate the size of the loss by actively marketing the premises to acquire new tenants. Negotiations are at an advanced stage in sub-letting CWDC's Leeds premises and GTCE's London premises.

2 The GTCE applied for and received HM Treasury approval to write off the remaining balances of teacher fee accounts amounting to £1.789m.

23.2 Special payments

	2011-12			2010-11		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Total number of cases	36	36	40	16	16	17
	£000	£000	£000	£000	£000	£000
	49	49	523[1]	1,018	1,018	1,020

1 GTCE gained HM Treasury approval to make a special payment of £166,923 to the landlords of the former London office in order to assign a lease to a new tenant from 30 March 2012 and to make special payments totalling £240,707 to HMRC to settle a tax liability relating to Members expenses for years 2006-11.

23.3 Gifts

	2011-12			2010-11		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Total number of cases	6	6	7[1]	–	–	–
	£000	£000	£000	£000	£000	£000
	5	5	53	–	–	–

1 The GTCE gifted £47,610 to the CG TLA Consortium. This sum relates to an amount the GTCE received in the 2008-09 financial year upon the winding up of the Hewett/Driver Education Trust. This sum has been gifted to the CG TLA Consortium with conditions that it is to be utilised to subsidise or incentivise high quality learning by teachers, which were the aims of the Hewett/Driver Education Trust

School Food Trust (SFT) ceased to operate within the Departmental Group from 1 October 2011. SFT assets have been excluded from the Departmental group accounts and a business case on the gifting of the asset is with HM Treasury for consideration.

23.4 Acquisition of shares

The Departmental group held the following shares during the financial year:

	£
Shares held at 1 April 2011	1
Acquired in year	–
Total shares held at 31 March 2012	1

The closing balance of shares held by the core Department only comprises 1 ordinary share of £1 in the Partnerships for Schools (PfS) and 1 ordinary share of £1 in Building Schools for the Future Investments Limited (BSFI Ltd). On consolidation, the share held in PfS is eliminated, leaving just the one remaining share held by the group.

Partnerships for Schools (PfS)

PfS is an ALB that has been set up on an equity basis and is the government's delivery agent for capital investment programmes in schools. PfS's responsibilities transferred to the Education Funding Agency on 2 April 2012. PfS will be wound up under a Members Voluntary Liquidation once all outstanding obligations have been settled.

Building Schools for the Future Investments Limited (BSFI Ltd)

BSFI Ltd is a wholly owned subsidiary of the Department for Education, which is not consolidated within the Department's annual accounts. The principal activity of BSFI Ltd is to fund Building Schools for the Future Investments LLP (BSFI LLP) to invest in the local delivery vehicles and their subsidiaries that are established under the Building Schools for the Future programme. BSFI LLP is a limited liability partnership jointly funded by the Department (via BSFI Ltd) and Partnerships UK. On 7 December 2006 the Department's interests in BSFI LLP were transferred to BSFI Ltd. BSFI LLP was sold to International Public Partnerships Limited (INPP) in 12 August 2011. INPP Acquired 100% of the interests in BSFI LLP from BSFI Ltd and PUK.

In line with the guidance within the Government Financial Reporting Manual, based on the level of in-year budgetary control the Department exercises over this subsidiary, BSFI Ltd is considered to be outside the Department's accounting boundary for consolidation purposes. Payments to BSFI Ltd are analogous to capital grant funding to the schools sector and are therefore recognised on the same basis. The Department made no payments to BSFI Ltd during 2011-12 (£4 million in 2010-11). Since its principal and only activity has been sold, the Department intends to wind up BSFI Ltd at the earliest opportunity once all outstanding obligations have been settled.

QCDA Enterprises Limited

QCDA Enterprises Limited was a wholly owned trading subsidiary of QCDA selling publications and products. The company ceased trading at the end of September 2011 with activity transferring to the Standards Testing Agency. The company was placed in Members' Voluntary Liquidation on 31 January 2012.

Once the liquidation process is complete a cash distribution, equivalent to the net assets of the company will be made to the Department as the successor body to QCDA.

24. Related party transactions

The Departmental Group has had a number of transactions with other government departments, other central government bodies, local authorities and some charitable organisations. Most of these transactions have been with the Department for Work and Pensions, Department for Business, Innovation and Skills, Department of Health, the Department for Communities and Local Government and the Cabinet Office.

Building Schools for the Future Investments Limited (BSFI Ltd) is a wholly owned subsidiary of the Department. The Departments interest in BSFI Ltd was transferred in August 2011. The Department made no payments to BSFI

Ltd during 2011-12 (£4 million in 2010-11). Since its principal and only activity has been sold, the Department intends to wind up BSFI Ltd at the earliest opportunity once all outstanding obligations have been settled.

As well as the disclosure in the Remuneration report the following relationships are also considered as related parties and as such have been disclosed in line with IAS 24.

- John Hayes is also a Minister with responsibility for BIS.
- Tom Jeffrey is a governor of St Aubyns Preparatory School, Sussex, and his wife is the Assistant Director of Children's Services for East Sussex County Council.
- Paul Kissack is a Trustee of St Christopher's Fellowship and his wife is actively supporting the set-up of Harpenden Free School.
- Andrew McCully is a trustee of the charity SkillForce.
- Anthony Salz is a Governor of the Wellington Academy, Wiltshire, which received funding from YPLA.
- Theodore Agnew is a trustee of New School Network.
- Sue John is the head teacher of Lampton School, which received funding from YPLA, a Board Member of Teaching Leaders and the Project Board Member of Future Leaders Charitable Trust.
- John Nash is the sponsor/Chair of Governors of Pimlico Academy received funding from YPLA and is the Chair of Future Academies, which operate Pimlico Academy. He is also a Board Member of Eastside Young Leaders' Academy and a supporter of the New Schools Fund, (both of which have submitted Free School applications).

During the year the following officers left the Department:

- David Bell left to take up a post with the University of Reading;
- Jon Coles left to take up a post with United Church Schools Trust/United Learning Trust Group;
- Sue Higgins left to take up a post with the Department for Communities and Local Government; and
- Lesley Longstone left to take up a post with the Ministry of Education in New Zealand.

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

Related party	**Value of transactions**
	£000
East Sussex County Council	331,577
SkillForce	644
The Wellington Academy, Wiltshire	5,543
New School Network	469
Lampton School, London Borough of Hounslow	8,814
Teaching Leaders	1,672
Future Leaders Charitable Trust	4,396
Pimlico Academy, London Borough of Westminster	11,556
United Learning Trust	938
University of Reading	12

Apart from the above related party disclosures, no minister, board member, key manager or other related parties have undertaken any material transactions with the Department during the year.

25. Entities within the Departmental boundary

The entities within the boundary during 2011-12 were as follows:

Executive Agency

Standards and Testing Agency (STA) from 1 September 2011

Non Departmental Public Bodies (NDPBs):

Executive:

Children and Family Court Advisory and Support Service (CAFCASS)

Children's Workforce Development Council (CWDC)

General Teaching Council for England (GTCE)

National College for School Leadership (NCSL)

Office of the Children's Commissioner (OCC)

Partnerships for Schools (PfS)

Qualifications and Curriculum Development Agency (QCDA)

School Food Trust (SFT) to 30 September 2011

Training and Development Agency for Schools (TDA)

Young People's Learning Agency (YPLA)

Advisory:

School Teachers' Review Body (STRB)

The Annual report and Accounts of all of the above can be found on The Stationery Office's website at www.tso.co.uk.

As stated in the Annual Report on pages 54, seven of the Executive NDPBs listed above ceased to exist as at 31 March 2012. For comparative purposes the following bodies were within the Departments boundary in 2010-11 and have also been included:

Arms Length Bodies:

British Educational Communication and Technology Agency (BECTA).

26. Post reporting period events

These financial statements were authorised for issue on 13 July 2012 by Chris Wormald (Accounting Officer). There have not been any post reporting period events that have required adjustment to these financial statements.

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