Department
for Education

Department for Education

Consolidated Annual Report and Accounts 2012-13

For the year ended 31 March 2013

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CONTENTS

GLOSSARY OF KEY TERMS

Abbreviation or term	Description
Academies	All schools operated by Academy Trusts encompassing academies, Free Schools, university technical colleges and studio schools
AME	Annually Managed Expenditure
ARA	Annual report and accounts
ATs	Academy Trusts, the charitable companies that own and operate all types of academy schools
CAFCASS	Children and Family Court Advisory and Support Service
CSDSD	Children's Services and Departmental Strategy Directorate, a directorate of the Department
DEL	Departmental Expenditure Limit
Department	The core Department for Education
Group	The group encompassing the Department, Executive Agencies, Non-departmental Public Bodies and Academy Trusts
DfE	Department for Education
EA	Executive Agency
EFA	Education Funding Agency
ESD	Education Standards Directorate, a directorate of the Department
HMT	HM Treasury
IFD	Infrastructure and Funding Directorate, a directorate of the Department
NAO	National Audit Office
NCSL	National College for School Leadership
NCTL	National College for Teaching and Leadership
NDPB	Non-departmental Public Body
OCC	Office of the Children's Commissioner
ONS	Office for National Statistics
QDS	Quarterly Data Summaries
SEN	Special Educational Needs
SMCPC	Social Mobility and Child Poverty Commission
STA	Standards and Testing Agency
STRB	School Teachers' Review Body
TA	Teaching Agency
WGA	Whole of Government Accounts
YPLA	Young People's Learning Agency
2012-13 & 2013-14	Financial years
2011/12 & 2012/13	Academic years

PREFACE

The *Constitutional Reform and Governance Act 2010* included two priorities to improve accountability for public spending and thereby give the public greater access to good quality information on the public sector's asset holdings. These were:

- the Clear Line of Sight (CLOS) initiative, which required central government departments to prepare their Estimates, financial budgeting and reporting on a consistent basis from 2010-11 onwards, and
- the requirement for central government departments to consolidate its non-departmental public bodies (NDPBs) into their annual report and accounts (ARA) from 2011-12.

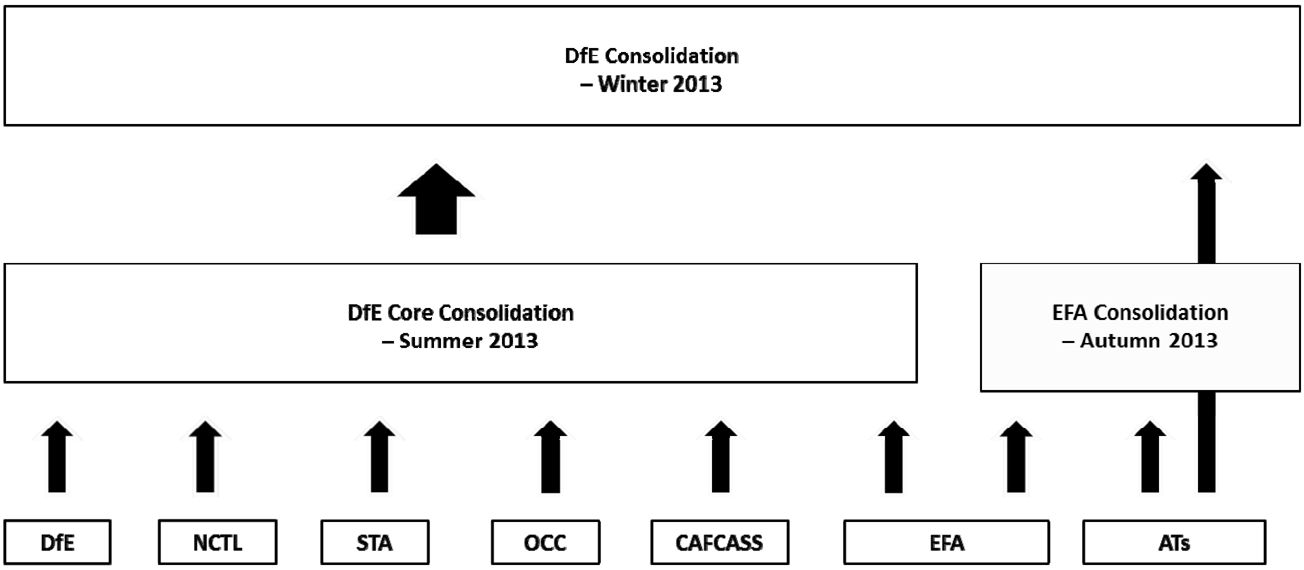
Academies have been classified by the Office for National Statistics (ONS) as central government public sector bodies since 2004. The requirement for them to be consolidated into the Department for Education's (Department) accounts was determined by the *Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2012*. Because of the size and complexity of the academy consolidation (unprecedented in the UK in either the public or private sector), the Department negotiated with HM Treasury (HMT), an exemption from the requirement for 2011-12. This was to allow sufficient time for the work to be planned, managed and implemented in a sensible and sustainable manner, drawing on the advice and support of HMT, representatives from the Academy Trust (AT) community (which includes Free Schools) and the National Audit Office (NAO).

The approach consists of two stages:

- ATs will initially be consolidated through the Education Funding Agency (EFA), and
- The EFA Group's accounts will be consolidated into the Department's own accounts, along with Department's two other Executive Agencies (EAs) and two NDPBs.

The approach is illustrated in Figure 1 below; details of the EAs and NDPBs can be found at paragraph 1.1.

Figure 1: Consolidation approach showing bodies consolidated to DfE. ATs are first consolidated into the EFA, then to the Department



We decided on this two-stage approach for a number of reasons, the key ones being that:

- The EFA is responsible for reporting to their Accounting Officer and, through him, to me as the Department's Accounting Officer, on their assessment of assurance over the probity of ATs' use of funding;
- The EFA is the Department's funding group. They give ATs the bulk of their funding and maintain a close working relationship with them, including the provision of financial and performance advice and guidance; and
- It is the EFA which obtains assurance from ATs on their financial performance and behaviours.

Because of the one year deferment of the consolidation requirement, this set of accounts is therefore the first to include the consolidated results of ATs; these numbered 2,108 as at 31 March 2013, covering a total of 2,823 schools. The process of consolidation has been a difficult, complicated and technically challenging accounting exercise for the Department. The fact that the Department's and ATs' own accounts are drawn at different times in the year (ATs as at 31 August, the Department's accounts as at 31 March) has necessitated a number of novel approaches to gathering and validating AT data.

Chief amongst these has been the use of proxy data in the consolidation. Through the use of two pilot studies, using the results of a sample of ATs of different sizes and complexity, the Department established that AT costs and expenditure were stable and consistent month on month. The Department has therefore extrapolated monthly outturns into a full year's costs and include them within its accounts. The Department has also utilised the results of ATs for the year ending 31 August as a proxy for the Group accounting year ending 31 March.

In addition, because ATs' accounts can cover as little as six months or as much as eighteen months (depending on when they were incorporated), the Department has also carried out significant work on their reported financial results, adjusting them to ensure that they were reflected appropriately within the Department's own twelve month accounting period.

More detail on this approach to different year ends and long and short periods, the NAO's views on its effectiveness and the level of assurance they feel able to draw from the consolidated AT results prepared using this methodology is set out in the Governance Statement from paragraph 7.45.

A different approach was adopted for the valuation of AT land and buildings and pension liabilities. Whilst ATs' own accounts include valuations for their land, buildings and pension liabilities, the valuations are either at a different date than is required for the Group's accounts or are compiled using a different basis and/or scope to that required by the Department. The Department has therefore secured its own valuations for land and property and pension liabilities as at 31 March 2013, using the international accounting standards used by central government, which has ensured consistency and comparability across the Department, its EAs and its NDPBs.

As a result of the consolidation exercise, the Group's Statement of Financial Position now includes the assets and liabilities of each of the ATs. There is no restatement of prior year comparatives in the accounts due to ATs because the Department gained an exemption from HMT, on the grounds of impracticality under IAS8. The Group's Statement of Financial Position shows closing net assets of £24.7 billion for 2012-13, compared to a net liabilities figure of £156 million for the prior year. This is due to the in-year change in classification of ATs as part of the Group; the assets and liabilities of ATs are not reflected in the prior year comparatives. More narrative detail on the accounts, setting out the key balances can be found at paragraphs 3.7-3.13.

The scale and challenge presented by this first consolidation of ATs means that the timetable for completing the ARA has had to be extended beyond the normal period. The ARA will be laid within the statutory deadline of 31 January 2014.

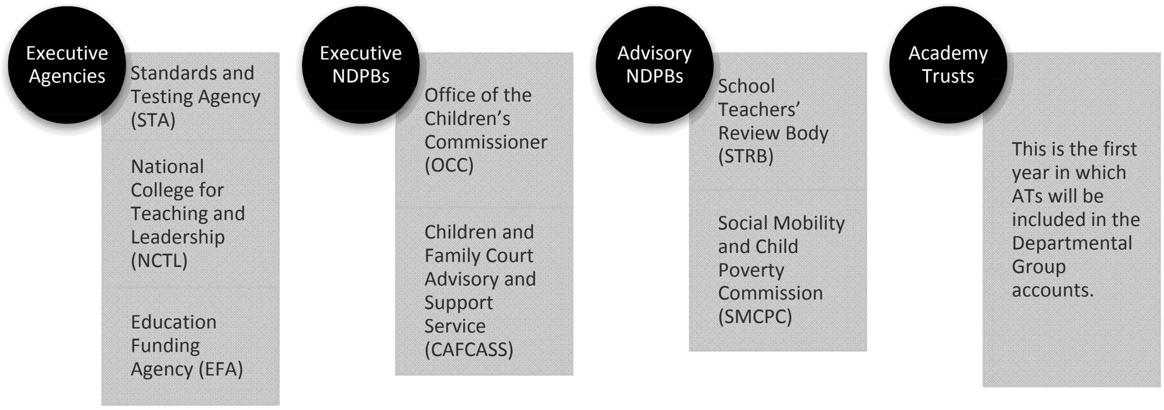
In conclusion, the consolidation exercise has allowed us to gain a significantly greater level of clarity on the size and scale of the academy sector, a sector which is now critically important to the delivery of our educational goals. By 31 March 2013, the sector had grown to 2,823 individual schools that are managed within 2,108 ATs across England and Wales a full list can be found at the link given in Note 27 to the Accounts. To deliver their objectives, the ATs manage and deploy assets worth more than £25 billion and employ more than 250,000 staff; they generate income of £1.4 billion and have annual net running costs in the order of £10 billion per annum.

This means that the academy sector is a fiscally significant portion of the public sector finances and this report provides the best information to date on this important part of the economy. The information contained within Notes 7, 9 and 10 to the Accounts provides detailed data that will support HMT and ONS with their future planning, as well as influencing future education policy. Furthermore, this exercise has led to improvements in both financial control and reporting across the sector. The assurance regimes that we have developed and continue to develop mean that academies, although autonomous with significant financial freedom, now produce ARAs that are compiled and audited against internationally agreed standards. This represents a step change in our ambition to have better reporting and transparency across the sector.

1. SCOPE

Entities within the Departmental Group's Accounting Boundary

1.1. In addition to the Department, the entities within the accounting boundary that make up these annual report and accounts for 2012-13 are:



Details of the Department's public bodies at 31 March 2012 are contained in *Public Bodies 2012*, which is published at: http://www.civilservice.gov.uk/about/resources/ndpb. The 2013 edition is not yet available.

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

Ministers

1.2. The ministerial team at the end of the financial year 2012-13 were:

Rt. Hon. Michael Gove MP	Secretary of State for Education
Rt. Hon. David Laws MP	Minister of State for Schools
Elizabeth Truss MP	Parliamentary Under Secretary of State for Education and Childcare
Edward Timpson MP	Parliamentary Under Secretary of State for Children and Families
Matthew Hancock MP	Parliamentary Under Secretary of State for Skills (jointly with the Department for Business, Innovation and Skills)
Lord Nash	Parliamentary Under Secretary of State for Schools

1.3. Former ministers who served in the financial year 2012-13 were:

Nick Gibb MP	Former Minister of State (to 4 September 2012)
Sarah Teather MP	Former Minister of State (to 4 September 2012)
John Hayes MP	Former Minister of State (to 4 September 2012)
Lord Hill of Oareford CBE	Former Parliamentary Under Secretary of State (to 31 January 2013)
Tim Loughton MP	Former Parliamentary Under Secretary of State (to 4 September 2012)

Management of the Department

1.4. The Departmental Board provides strategic and operational leadership. It is chaired by the Secretary of State and members include the full Ministerial team, the Permanent Secretary and senior officials, and non-executive members. Non-executives are appointed by the Secretary of State in consultation with Lord Browne and the Minister for the Cabinet Office and on approval from the Prime Minister. Lord Browne is the government's lead non-executive board member (NEBM), who advises on the recruitment of NEBMs across Whitehall and on the determination of the NEBM role. Further information on the appointment and policies relating to Board members is contained in the Remuneration Report.

1.5. On 31 March 2013, in addition to the Secretary of State and our Ministerial team, the Departmental Board comprised:

Chris Wormald	Permanent Secretary and Accounting Officer
Tom Jeffery	Director General, Children's Services and Departmental Strategy
Stephen Meek	Acting Director General, Education Standards
Andrew McCully	Acting Director General, Infrastructure and Funding
Simon Judge	Director, Finance and Commercial
Hilary Spencer	Director, Strategy, Performance and Private Office
Janette Durbin	Director, People and Change
Peter Lauener	Chief Executive, Education Funding Agency
Paul Marshall	Lead Non-executive Board Member
Theodore Agnew	Non-executive Board Member
Dame Sue John	Non-executive Board Member

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

Sarah Teather MP	Minister of State for Children and Families (until September 2012)
Nick Gibb MP	Minister of State for Schools (until September 2012)
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 (until September 2012)
Tim Loughton MP	Parliamentary Under Secretary of State for Schools (until September 2012)
Lord Hill of Oareford	Parliamentary Under Secretary of State for Children and Families (until January 2013)
Anthony Salz	Lead Non-executive Board Member (until December 2012)
Lord Nash	Non-executive Board Member (until January 2013)
Simon Parkes	Director, Finance and Commercial (until July 2012)
Lucy Smith	Director, Strategy and Performance (until June 2012).

1.6. 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 EAs.

1.7. The Board met six times between April 2012 and March 2013 to discuss the main financial and non-financial risks and issues related to these responsibilities. In carrying out its work, the Board is supported by a number of sub-boards and committees; the committees are:

- the **Management Committee**, which focuses on the Department's capability to achieve against its strategic aims and objectives;
- the **Performance Committee**, which scrutinises progress against the performance and delivery of Departmental objectives;
- the **Audit and Risk Committee**, which monitors risk and control issues.

1.8. Detail on each committee is set out in the Governance Statement, which can be seen at section 7 of this report.

Register of Interests

1.9. 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

1.10. Details of directorships and other significant interests held by Ministers are set out in the Register of Members' Interests for MPs and the Register of Lords' Interests. Both registers can be found on the UK Parliament website: http://www.parliament.uk/mps-lords-and-offices/standards-and-interests/

2. HOW THE DEPARTMENT OPERATES

This section sets out:

- The Department's vision statement and strategic aims
- How the Department delivers – through its executive agencies, its non-departmental public bodies and Academy Trusts
- The Department's Business Plan and key priorities
- Changes to the Department's structure in delivering its priorities, through the DfE Reform Programme and the consolidation of ATs in the year

Vision and Strategic Aims

2.1. The Department's Board has set out a clear, long-term vision for the Department, that of a "highly-educated society in which opportunity is more equal for children and young people, no matter what their background or family circumstances".

2.2. Five mutually reinforcing strategic aims help the Department achieve this vision:

- raising standards of educational achievement;
- closing the achievement gap between rich and poor;
- reforming the schools system;
- supporting all children and young people, particularly the disadvantaged; and
- improving the effectiveness and efficiency of the Department.

2.3. As part of that drive for improvement, the Department has substantially expanded its Academies programmes. These are the most resource-intensive of the Department's discretionary work, driven by Ministerial priorities.

Business and Structural Reform Plans

2.4. The Department's Business Plan covers the period 2012-15 and is refreshed annually to ensure that it reflects the latest priorities. The plan covers the Department's vision, government priorities, structural reform plans, expenditure and commitments to providing greater transparency in its activities.

2.5. The Ministerial team has identified and agreed their top reform priorities for the Department. Each Directorate has developed delivery plans that reflect these, and will help us to deliver the Department's vision.

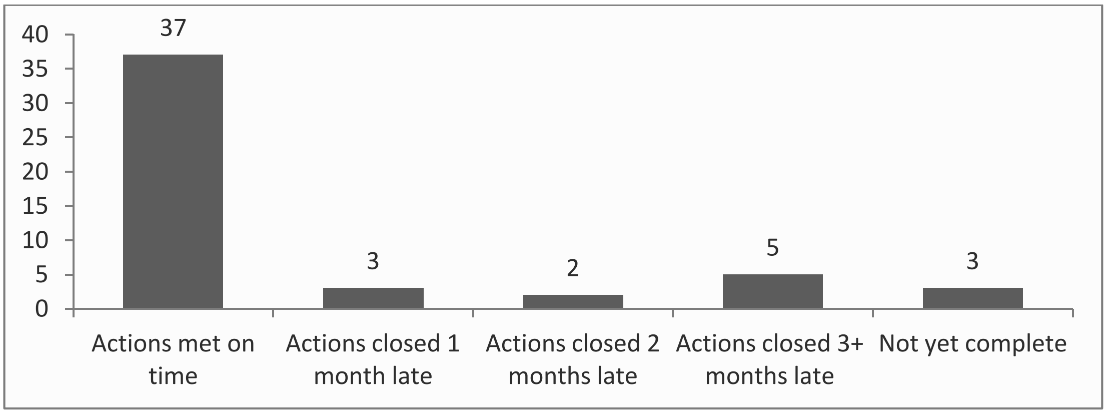
2.6. The Department has identified six priorities to help in delivering its vision. These are aligned to the Business Plan and are as follows:

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

2.7. The Department's Business Plan, together with more detail of the reform targets and progress against these targets, can be found in the monthly progress reports published on the No 10 website at: http://transparency.number10.gov.uk/business-plan/15

2.8. It sets out 76 actions the Department is set to undertake between 2012 and 2015. As at 31 March 2013, the Department had completed 47 of 50 actions it had committed itself to for 2012-13, as set out in Figure 2. Further detail on the performance against plans is set out in section 3.

Figure 2 - Status of Business Plan actions due to be completed by March 2013



2.9. The Business Plan includes a set of impact and input indicators which are used to report on progress. Further information on performance against input and impact indicators is summarised from paragraph 3.38 of this report.

2.10. Updates on these indicators and the reasons for measuring each of the indicators are published on the department's website at the following link:
http://www.education.gov.uk/researchandstatistics/statistics/keystatistics

Significant Operational Changes in 2012-13

2.11. A number of changes in the way the Department operated took place over the year. The most notable were:

- Civil Service Reform and the DfE Reform Programme;
- Establishment of new EAs;
- Consolidation of ATs.

Civil service reform and the DfE Reform programme

2.12. The Civil Service Reform programme aims to deliver a smaller, more open and flexible organisation, achieving results faster and operating in a different way. It envisages a more focused organisation which will do fewer things, but will do them better.

2.13. Building on the transformation begun with last year's Arm's Length Body (ALB) Reform Programme, and as part of the wider Civil Service Reform Programme, the Department launched the Department for Education Review in June 2012 to look at what the Department does, how it should be organised to prioritise resources and efficiently deliver business, and how it can continue to improve.

2.14. The Review reported internally in September 2012 and recommended a real terms reduction in administration costs of 50% between 2010-11 and 2015-16. Initial changes were implemented on 1 December 2012, mainly affecting internal management reporting lines. As the implementation beds in, it is likely that the structures will be further adjusted.

2.15. The review found many positive things about the Department; it has many talented and committed staff; its fundamental structures are fit for purpose and it has successfully delivered big changes to the organisation, such as ALB reform, whilst continuing to deliver its normal business.

2.16. But the review also identified areas where the Department could be better and could remove any remaining barriers to efficiency. Resources must be focused on the biggest Ministerial priorities, and corporate overheads should be reduced wherever possible. This will ensure that Ministers' objectives are delivered and that capital is freed up for front-line services.

2.17. The full detail of the structural and other changes being embedded as a result of the DfE Reform programme is set out in the Governance Statement in section 7.

Establishment of new Executive Agencies

2.18. Three new EAs were created on 1 April 2012. These were the Education Funding Agency (EFA), the Teaching Agency (TA) and the National College for School Leadership (NCSL).

2.19. The TA and NCSL merged in March 2013 to form the National College for Teaching and Leadership (NCTL). The NCTL has 2 key aims: improving the quality of the education workforce and developing a school-led system of teacher training.

2.20. The EFA is responsible for the majority of the funding of the education system – amounting to £52 billion in 2012-13.

Consolidation of ATs

2.21. The most significant accounting issue impacting on the Department was the requirement to consolidate ATs into the Department's group accounts (in the context of the accounts, ATs include academies, Free Schools, Studio Schools and University Technical Colleges). The consolidation was a significant technical accounting challenge; the consolidated accounts include more bodies than the whole of the rest of the public sector.

2.22. The approach adopted is set out in the preface to this report; issues arising and the management of the process is set out in the Governance Statement.

2.23. Due to the complexities of the consolidation (such as the need to have standardised data collection across all ATs), HMT provided the Department with an exemption from including ATs in their 2011-12 consolidated ARA.

2.24. A consolidation of this size is unprecedented in either the public or private sector and our responses to the associated budgetary and financial accounting challenges have driven a number of entirely new approaches and solutions. It required regular, close liaison between key Departmental, EFA and HMT staff, supported by an AT representative (AT Headmaster or Governor) to represent the sector's viewpoint. NAO officials attended the project steering group as observers.

2.25. The sheer size of the project (by 31 March 2013, there were 2,823 open schools operated by ATs) and the novelty of the matters under discussion meant that, even with the support of private sector expertise, it was not possible to finalise the accounts until January 2014.

2.26. We have had two main issues to manage in undertaking the consolidation:

i) That ATs prepare their accounts in accordance with the Charities SORP, which differs from the requirements set out in government accounting rules. The result is that resource and capital expenditure is recognised on a different basis to the rest of the Group. Work to manage this has been undertaken in conjunction with HMT; in parallel, officials are working to ensure that the ATs' financial forecasts are as robust as possible and that both resource and capital expenditure are properly classified.

ii) That ATs produce accounts to a different year end date (31 August) to the Group's other constituent bodies (31 March) and therefore cover different twelve month periods. This necessitated an estimation of data to allow the ATs' results to be deemed an adequate proxy for the period 1 April 2012 to 31 March 2013.

2.27. Further information on the risks posed by the AT consolidation and the steps taken to mitigate these are set out in the Governance Statement.

2.28. ***Please also see:***

i) The Governance Statement paragraphs 7.45 to 7.53 which set out the approach to the consolidation, the risks of the consolidation process and how these risks were managed.

ii) Note 1 to the Accounts

The Department's directorates

2.29. The Department is organised into 3 directorates, with responsibilities for delivering policy and programmes, directly or through its EAs. The directorates are:

i) the Education Standards Directorate (ESD):

ii) Children's Services and Departmental Strategy Directorate (CSDSD), and

iii) Infrastructure and Funding Directorate (IFD).

2.30. In addition, Finance and Commercial Group (FCG) provide a range of corporate services to the rest of the Department, the EAs and NDPBs.

2.31. Box 1 sets out how each operates:

Box 1: Functions of the Department's directorates

Education Standards Directorate

ESD's work is focused on achieving Ministers' objectives to raise standards and narrow gaps and make the education system in England a world leader. The aim is for our education system to match the best anywhere in the world in preparing children and young people for the future. The directorate has a number of aims, as set out below:

- move England up the league tables of performance in language, maths and science in every age group;
- reform the National Curriculum and the qualifications system to set standards comparable to the highest achieving jurisdictions in the world, and meet the needs of universities and employers;
- improve the recruitment, selection and training of teachers and leaders, supporting their professionalism and authority and raising the status of the profession, so that teachers and teaching are as highly regarded and effective as in any country in the world;
- create a system of accountability and incentives which supports every school and sixth form college to improve and share effective practice, and where the most effective practitioners and leaders take responsibility for improving practice elsewhere.

The STA and NCTL fall within the remit of this directorate. So too does Apprenticeship funding (for 2012-13 only), in conjunction with the Department for Business Innovation and Skills (BIS). The STA is responsible for the development and delivery of all statutory assessments from early years to the end of key stage 3.

Children's Services and Departmental Strategy Directorate

The focus of CSDSD's work is to help children and young people have a more equal opportunity to benefit from an excellent education and provide corporate strategic, analytical and communication services for the Group.

Key areas of work include:

- ensuring more children receive a high quality early education;
- increasing the affordability, availability and quality of childcare;
- delivering a robust reform programme for special educational needs (SEN);
- ensuring that children identified for adoption are placed as swiftly as possible; increasing the professionalism, qualifications and effectiveness of children's social workers;
- reforming the care system, including residential care; and
- implementing reforms to the family justice system and tackling child poverty.

The service based functions within the directorate are focused on ensuring that:

- data and economic thinking informs policy development and delivery;
- representing the Group's interests in international forums and ensuring best use of international learning to inform policy;
- providing a communications function to Ministers and ensuring that time and quality standards are met in responding to public queries;
- delivering a strategic, forward looking function to support the Board and ensure connections are made across related Group activity; and
- providing Ministers with a high quality private office service and delivering efficiently and effectively on the

Box 1: Functions of the Department's directorates

Group's Business of State responsibilities.

Infrastructure and Funding Directorate

IFD's 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 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;
- the policy on pre and post 16 capital funding including ensuring there are sufficient school places;
- the Priority Schools Building programme as well as legislation on school premises, playing fields and health and safety issues related to school buildings; and
- applying Ministers' deregulatory principles to the wider school system.

The EFA is part of the remit of this directorate.

Finance and Commercial Group

FCG 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; commercial and procurement support, Internal Audit support; HR support; IT systems; Change Management and Estate Management functions

2.32. Please also see:

i) ***Spending in year by directorate in Note 6 to the Accounts.***

3. REVIEW OF PROGRAMMES AND SPENDING IN THE YEAR

This section sets out the following with reference to the Department's Priorities and Business Plans.

- The funding settlement for 2012-13 and the voted estimate – this shows how much the Department was voted by Parliament in the year.
- Summary financial information – showing how much the Department spent against its total budgetary limits.
- Spend in the year by key programme.

Current Funding Settlement – Spending Review 2010

3.1. The Group's funding settlement for the year was set out by the Spending Review 2010 (SR10), broken down into Resource and Capital Spending as shown in Figure 3.

Figure 3: SR10 funding settlement by year

£ billion	2010-11	2011-12	2012-13	2013-14	2014 15
Resource DEL	50.8	51.2	52.1	52.9	53.9
Capital DEL	7.6	4.9	4.2	3.3	3.3
Total DEL	58.4	56.1	56.3	56.2	57.2

Note: Resource DEL excludes depreciation

The government budget that is allocated to and spent by government departments is known as the Departmental Expenditure Limit (DEL). This amount, and how it is split between government departments, is set at Spending Reviews.
Source: https://www.gov.uk/government/news/department-for-education-spending-review

3.2. In 2012-13, the Department provided capital funding for additional school places and for the maintenance of the school and sixth form college estates. It also invested in new Free Schools to offer parents a choice, as well as funding early years' provision and facilities for young people. Investment in the Building Schools for the Future (BSF) projects and AT projects, approved in Comprehensive Spending Review 2007 (CSR07), continued.

3.3. The SR10 settlement included capital funding of £15.8 billion across the period (2011-12 to 2014-15). By 2014-15, annual capital funding would have been cut by 60% in real terms compared to 2010-11.

3.4. However, two funding allocations have been received since SR10. Figure 4 shows the additional funding received.

Figure 4: Additional funding settlements since SR10

SR10 Baseline (capital)	£15.8 billion
2011-12: Additional funding for University Technical Colleges	£125.9 million
Nov. 11: Local authorities with pressure on school places	£600 million
Dec. 12: Additional capital funding to expand good schools and build 100 new Academies	£982 million

3.5. The Department's current Business Plan is based on the SR10 settlement. The Department aims to achieve its Business Plan priorities within the constraints of this settlement. Performance against budget is set out in the Summary of Financial Performance.

3.6. The Department's latest funding settlement which sets out the budgets for the following period - Spending Review 2013 (SR13) – is set out in section 4.

Summary of Financial Performance

3.7. A summary of the Department's financial performance is summarised in Table 1 below. The full details of which are shown in the Accounts.

Table 1: Summary of the Department's financial performance

Primary statement	Key values and narrative
Consolidated Statement of Parliamentary Supply (SoPS) Provides information on how the Group has performed against its voted supply from Parliament, broken down by control totals	The Group has not breached any of its Parliamentary controls and, at Estimate level, outturn was £1.4bn (97.5% of the budget) lower than the £58bn net resource limit. The net cash requirement limit was £56.5bn, but the Group consumed £56.1bn in financing its activities, £360m (0.6%) less than the Parliamentary limit.
Consolidated Statement of Comprehensive Net Expenditure (SoCNE) Reports total administration and programme costs and revenue	Total net operating expenditure in the year £51.3bn (2011-12: 56.3bn) Net programme expenditure £51.0bn (2011-12: £55.9bn) Net admin expenditure £367m (2011-12: £363m) Net gain on transfer of ATs £24.8bn (2011-12: £nil) The gain relates to the consolidation of ATs for the first time in 2012-13; further detail is set out in the Consolidated Statement of Financial Position.
Consolidated Statement of Financial Position (SoFP) Provides further information on the Group's closing assets and liabilities	The SoFP shows a large net assets figure in the year. This is a result of consolidating the land, buildings, cash and other assets of ATs. These assets and liabilities are not reflected in the prior year comparatives. The key balances affected by the consolidation exercise are land and buildings, pension liabilities, cash and investments which are covered in more detail below.

Consolidated Statement of Financial Position

Consolidation of ATs

3.8. The consolidated position shows that of the Department and each of the bodies within its Departmental accounting boundary. Given the classification of ATs as being within the Department's accounting boundary, the consolidated SoFP includes the financial position of ATs.

3.9. Land and Buildings includes all buildings used by ATs in operating schools. This is recognised as new in-year Land and Buildings assets within the consolidated SoFP. The Department has not funded new assets in-year, rather these are existing land and buildings which are now recognised by the Group.

3.10. Pension liabilities wholly related to the Local Government Pension Scheme (LGPS). These have been valued as at 31 March 2013 for inclusion in the accounts.

3.11. Cash balances of £2 billion are recognised in the Group accounts. The majority of this represents cash balances held by ATs at the year end, often intended for future capital projects. ATs have the freedom to hold cash reserves for when they need it and there are restrictions on their ability to borrow commercially.

As such, they manage their income to best suit their operational requirements and may build up reserves to fund large expenditures or capital projects.

3.12. The investments balance represents a combination of cash balances and, in the case of sponsored academies, any endowments they hold. These endowments are common in sponsored ATs and schools and reflect the funding they have secured outside the grant funding provided by the Department.

3.13. The accounting gain of £24.8 billion arising from the net assets position of the ATs is reflected in the SoCNE; it does not signify any underspend or income in the year. The funding provided by the Department to ATs, as well as other bodies, is also shown in the SoCNE and further broken down in Note 6 to the Accounts. Further detail on these operating segments is set out below.

Spend by operating segment and key programme

Children's Services and Departmental Strategy Directorate (CSDSD)

3.14. CSDSD spent £2.7 billion on its various programmes in 2012-13.

3.15. The spend in this area was across the following key programmes:

- Revenue funding to local authorities to support a range of services for children, young people and families via the Early Intervention Programme (£2.4bn);
- Revenue funding to support the developmental needs of children, and the special educational needs or disabilities of children and young people through the Early Years and SEND programmes (£0.1bn);
- Grant in aid funding to support Children and Family Court Advisory and Support Service (CAFCASS) (£0.1bn);
- A range of programmes to fund services to support families (£0.07bn); and
- Funding to support programmes whose focus is to support systems to protect children from abuse and neglect (£0.05bn).

Children's Services Capital

3.16. The Department provided:

- £40m of un-ring fenced capital funding to local authorities (via the EFA) to support the development of a range of short breaks for disabled children by providing new equipment, adaptations and facilities;
- £100m of un-ring fenced capital funding to local authorities to support the implementation of free nursery places for two-year-olds, and
- £15m to Secure Children's Homes (SCH) to ensure, through a continued programme of capital rebuilds and minor refurbishments, that the SCH sector can provide good quality, secure accommodation in line with national minimum standards for the very vulnerable children and young people who are placed in these establishments by local authorities and the Youth Justice Board. Capital grants are paid to the 15 local authorities who own and manage an SCH in their area.

Education Standards Directorate (ESD)

3.17. The Department spent £1.5 billion in this area across a number of key programmes. This included approximately £700m on Apprenticeships, and £560m on funding provided to the NCTL (operating as the TA and the NCSL for much of 2012-13).

3.18. The BIS/DfE Apprenticeship Unit managed the Department's relationship with and the governance of the National Apprenticeships Service (via BIS and the Schools Funding Agency), to support and challenge apprenticeships delivery, ensuring operational delivery reflects Ministerial priorities. Apprenticeships are paid jobs with training which combine vocational and technical learning with broad transferable skills. They are at the heart of the Government's drive to equip people of all ages with the skills employers need to grow and compete.

3.19. The Unit advises on all apprenticeship policy and current delivery priorities include: implementation of apprenticeships reforms, including those arising from the Richard Review; driving up quality and standards in apprenticeships; improving employer engagement with and ownership of apprenticeships including reform of apprenticeships funding to route funding via employers rather than providers; improving learner and employer awareness, demand and access to apprenticeships; and improving value for money.

3.20. The NCTL was formed on the 29 March 2013 through the merger of the TA and the NCSL.

3.21. The agency is focusing on developing a school-led system, promoting high quality teaching and leadership, and leading on delivering school workforce reforms. Its remit includes teacher training, continuous professional development, leadership development, and supporting school improvement to address underperformance in the education system.

3.22. Detail on the types of programmes for the Initial Teacher Training funding is set out in the NCTL's 2012-13 ARA.

3.23. **Please also see:**

i) NCTL 2012-13 Annual Report and Accounts

ii) STA 2012-13 Annual Report and Accounts

Infrastructure and Funding Directorate (IFD):

3.24. The Department spent £51.9 billion in 2012-13 (including ATs), primarily on funding to schools both for on-going resource expenditure and for capital spending.

3.25. Key programmes undertaken within the remit of the spend of this directorate are:

- Revenue funding to schools through General Annual Grant (GAG) funding and Dedicated Schools Grant (DSG) (£41 billion in 2012-13);
- Capital funding to maintained schools, Academies and post 16 institutions (£4.3 billion in 2012-13); and
- Participation funding of places and programmes to support 16-19 year olds (£5.6 billion in 2012-13).

Schools funding

3.26. £30 billion of funding to schools is provided through the DSG. DSG is a ring fenced grant paid to local authorities in support of their schools budget as defined in school finance regulations each year. The level of DSG for each year is mainly driven by pupil numbers. Prior to a settlement, analysts produce pupil number projections for each local authority, for each year of the settlement.

3.27. The DSG funding goes to local authorities who then pass most of it onto their schools. The schools can spend the money on activities which support educational aims (primarily this is on staff salaries and day to day running costs of schools).

3.28. Academies receive funding on an equivalent basis to maintained schools in the same local authority area. Funding of £10.2 billion was provided to academies as GAG funding, to cover their general running costs.

3.29. The various kinds of funding to ATs and the detail of each are set out in Box 2 below.

Box 2: Funding details

Academies

Academies are publicly-funded independent schools that aim to provide a first-class education and benefit from greater freedoms to innovate and raise standards. Some academies, generally those set up to replace underperforming schools, will have a sponsor. Some of these may not require a full sponsor. Others, generally those performing well will become academies in their own right, or as part of a chain.

Free Schools

Free Schools are all-ability publicly-funded schools set up in response to what local people say they want and need in order to improve education for children in their community.

University Technical Colleges (UTCs)

UTCs are technical academies for 14 to 19 year olds. They have university and employer sponsors and combine practical and academic studies. They specialise in subjects that need modern, technical, industry-standard equipment, such as engineering and construction, which are taught alongside business skills and the use of ICT.

Studio Schools (SSs)

SSs are innovative schools for 14 to 19 year olds, backed by local businesses and employers. They often have a specialism, but focus on equipping young people with a wide range of employability skills and a core of academic qualifications, delivered in a practical and project-based way alongside mainstream academic study.

Young People – Participation in Education and Training

3.30. £5.5 billion was spent on participation by young people in 2012-13. The programme gives providers freedom to address young people's individual needs.

3.31. The largest elements of the budget are 16 to 18 Foundation Learning and Maintained 6^{th} forms, which make up the majority of the in-year spend.

Capital Funding

3.32. The Department spent £4.3 billion on Capital projects in the year. The largest projects were:

i) Basic Need: Capital support to local authorities to provide sufficient school places across all types of schools in their area.

ii) Local Authority Maintenance: Capital support to local authorities to address urgent building need for (non-voluntary aided) maintained schools, and sure start centres, in their area.

iii) Voluntary Aided Maintenance: This is a ring-fenced grant more commonly known as LCVAP - locally co-ordinated voluntary aided programme. The budget is allocated to local authorities, but not paid to them, annually on a formulaic basis using pupil number data. Each local authority co-ordinates the allocation with all the voluntary aided partners within their authority to decide on which capital maintenance projects should be undertaken during the financial year. Once this is agreed schools and diocese submit applications to the EFA for work to be undertaken. Once approved the work is completed and schools/diocese submit invoice based claims to obtain the funding for the project. The funding is monitored closely to ensure full budget spend within any given financial year.

iv) Free Schools, Studio Schools and UTCs: The Free School Capital budget covers the costs of establishing a Free School, UTC and Studio School. It covers the costs of purchasing sites, refurbishing them to ensure they are fit for purpose for a school. It also covers the costs of professional fees (e.g. lawyers, architects, technical advisors etc.) to purchase, procure and manage the building works.

Research spending

3.33. During 2012-13, the Department spent £12.2 million on research and valuation projects, examples of which include:

- The Program for International Student Assessment (PISA) 2012: the Department funds England's participation in PISA, which is a system of international assessments focusing on 15-year-olds' capabilities in reading, mathematics and science literacies. PISA also includes measures of general or cross-curricular competencies such as problem solving. PISA is coordinated by the Organisation

for Economic Cooperation and Development and is administered every three years. A report of findings, published in December 2013, can be found at the following link:
Programme for International Student Assessment (PISA) 2012: national report for England - Publications - GOV.UK

- The childcare and early years survey of parents: an annual survey of parents' use, views and experiences of childcare and early years provision in England. The survey collects up-to-date and robust data on the use of, demand for and views on childcare and early years provision among parents with children aged 0-14. This is to provide time series data on these issues in order to assess the on-going impact of policy interventions. The Department plans to publish a report of findings of the 2012 survey in January 2014.
- Evaluation of Pupil Premium funding: to gain a detailed understanding of how schools are spending Pupil Premium funds, and the perceived impact of the funding. The Government is committed to tackling educational inequality through a Fairness Premium, of which the Pupil Premium is one strand. The Pupil Premium is a key resource for de-coupling individual pupils' achievement from their background. Additional funding is available to schools for every child registered for Free School Meals in the past six years; for children in care who have been looked after for six months; and for armed forces' children. On 2 July 2013 the Department published a report of its findings which can be found on via the weblink:
https://www.gov.uk/government/publications/evaluation-of-pupil-premium

Comparison of outturn to supply estimate

3.34. The Department experienced considerable financial volatility over the year; forecasting the outturn on programme budgets was particularly challenging. Large underspends that emerged were, following discussion with HMT, deferred into the following two years through the Budget Exchange mechanism. Of the further underspends that emerged in the final months of the year, the most significant related to ATs, Pupil Premium and Apprenticeships budgets.

3.35. Underspends also emerged late in the year on capital budgets, relating to delays in projects funded by the Sponsor Academies Environmental Improvement Grant and the decision not to make any advance payments of Basic Need this year.

3.36. Administration budgets were also volatile; underspends here were largely driven by the Department's ongoing programme of restructuring. They included funds released by not filling vacancies following the DfE Review; the continuing uncertainty and delays around IT requirements associated with the ALB Reform Programme and the subsequent establishment of EAs and the capitalisation of PSBP costs. Through close management of the budgets, the Department was able to utilise some of these underspends to accelerate the Voluntary Exit Scheme.

3.37. Table 2 below shows the variance between the Estimate and outturn for each of the budgetary categories and sets out reasons where the variance for each individual budget line is above 10% of the Estimate.

Table 2: Estimate and outturn for budgetary categories

Section description	Limit (£m)	Outturn (£m)	Variance (£m)	Explanation of variance
Resource DEL total	**52,384**	**52,077**	**(307)**	
School Infrastructure and Funding of Education	284	228	(56)	Underspend is due to spending to ATs residing within the estimate budget line.
National College	82	68	(14)	Underspend is due to spending to ATs residing within the estimate budget line.
Resource AME total	**1,071**	**178**	**(893)**	
Activities to support all Functions – Department	64	74	10	There was an underspend against the QCDA property provision, as a result of lower than anticipated costs of surrendering the lease. Provisions are estimated at the time that they are recognised in the accounts and, therefore, there is always likely to be some difference between them and the final outturn.
Activities to support all Functions – NDPB	-	1	1	This primarily reflects the net gain recognised in the SoCNE as a result of movement in CAFCASS's pension liability.
Executive Agencies	997	(4)	(1,001)	The AME budget was increased by around £1bn at the Supplementary Estimates to cover the ATs' pension scheme. The pension liability provision (£1bn) relates to the movement in actuarial value of the ATs' element of the Local Government Pension Scheme (LGPS).
Academies (net)	-	114	114	The AME budget was increased to cover the ATs' pension scheme; this budget was allocated to the Agency Estimate line. However, the expenditure (mostly attributed to a £112m increase in the pension deficit and £6m depreciation of donated assets) have now been charged more appropriately to a new Academies Estimate line.
Capital DEL total	**4,502**	**4,259**	**(243)**	
Activities to Support all functions	15	(5)	(20)	Largely due to the NBV of the Teacher's TV (TTV) asset being written off, resulting from the closure of the TV channel. Other elements relate to CIOG's underspend on 'ALB capital'. Other elements relate to the postponement / cancellation of some projects whilst the DfE Review was underway and the CIOG spend being less than anticipated.
School Infrastructure and Funding of Education	(11)	15	26	The Management Committee took the decision to utilise Budget Exchange from 2012-13 to 2013-14.
Children, Young People and Families (NDPB)	-	(1)	(1)	This reflects the NBV of office disposals.
National College	1	0.5	(0.5)	Website redesign work was delayed to 2013-14 and Capital outturn in respect of the Learning and Conference Centre was reported against the Core whereas the associated budget was against the NCTL.

Key Performance Measures – Input and Impact Indicators

3.38. Performance against the Department's Business Plan (as set out in paragraph 2.7) is measured against a series of input and impact indicators.

Table 3 below summarises the latest available measurement data.

Impact Indicator	Latest Data
Percentage of pupils achieving Level 4 or above in both English and mathematics at age 11 * Assessments in English have changed significantly this year and so the measure cannot be compared to figures published in previous years	2012: 79%
Percentage of pupils achieving A*-C GCSE in English and mathematics at age 16	2011/12: 59.9% 2010/11: 59.6%
Percentage of young people who have attained a full level 3 qualification by age 19	2010/11: 56.7% 2011/12: 57.9%
Percentage of young people who have not attained a level 2 qualification in English and mathematics at age 16, who go on to attain level 2 or a higher qualification in both by the end of the academic year in which they turn 19	2010/11: 18.9% 2011/12: 18.4%
Percentage of pupils achieving the English Baccalaureate at age 16	All schools: 2011/12: 18.3% 2010/11: 17.6%
Attainment beyond the basics at age 19	The Government are consulting on proposals to reform Key Stage 5 accountability arrangements, the results of which will inform how we measure attainment beyond the basics at age 19
Attainment gap at age 11 between free school meal pupils and their peers * The attainment gap is calculated from the percentage of all other pupils (those known not to be eligible for free school meals or with an unclassified status) achieving level 4 or above in both English and mathematics minus the percentage of pupils known to be eligible for free school meals achieving level 4 or above in both English and mathematics.	2012: 20% 2011: 16.8%
Attainment gap at age 16 between free school meal pupils and the rest * The attainment gap is calculated from the percentage of all other pupils (those known not to be eligible for free school meals or with an unclassified status) achieving an A*-C grade in English and mathematics GCSEs, minus the percentage of pupils known to be eligible for free school meals achieving an A*-C grade in English and mathematics GCSEs	2012: 27.4% 2011: 26.2%
Attainment gap at age 19 between free school meals pupils and the rest	2012: 24.2% 2011: 24.8%
Attainment gap at age 11 between looked after children and the rest	2010/11: 31 2011/12: 29
Attainment gap at age 16 between looked after children and the rest	2010/11: 45 2011/12: 43.2
Percentage of children on free school meals progressing to Oxford or Cambridge [1]The KS5 cohort includes young people who took A level or other Level 3 qualifications [2] Claiming and eligible for free school meals at Year 11 [3]For a sustained period from October to March 2010/11	2010/11: 0.1% of young people in the KS5 cohort[1] claiming free school meals[2] went to Oxford or Cambridge University[3] This is the first year the data have been produced.

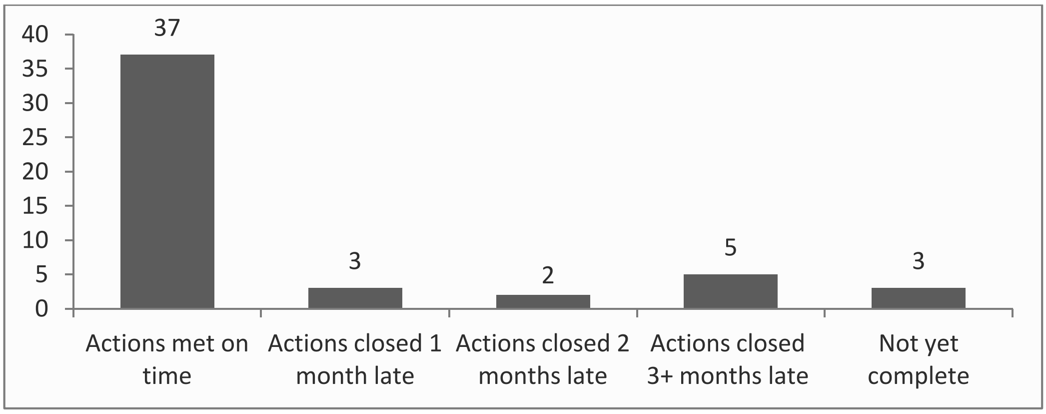
Impact Indicator	Latest Data
Percentage of children on free school meals progressing to a Russell Group university [1]The KS5 cohort includes young people who took A level or other Level 3 qualifications [2] Claiming and eligible for free school meals at Year 11 [3]For a sustained period from October to March 2010/11	2010/11: 4% of young people in the KS5 cohort[1] claiming free school meals[2] went to a Russell Group university[3] This is the first year the data have been produced.
Percentage of children on free school meals progressing to any university [1]The KS5 cohort includes young people who took A level or other Level 3 qualifications [2] Claiming and eligible for free school meals at Year 11 [3]For a sustained period from October to March 2010/11	2010/11: 46% of young people, in the KS5 cohort[1], claiming free school meals[2] went to university[3] This is the first year the data have been produced.
Participation in education and work-based learning at age 16 to 17	2011: 91.8% 2010: 91.1%
Number of primary schools below the floor standard	2012: 476 2011: 1,310
Number of secondary schools below the floor standard	2011/12: 195 2010/11: 107 (min standard 35% when the five or more GCSEs at grade A*-C, including the English and mathematics) 2010/11: 251 (min standard 40%)
Attainment gap between schools with the greatest and the least proportions of disadvantaged pupils.	2011/12: 37.2 percentage points 2010/11 40.3 percentage points
Teaching (of English, mathematics and science) by teachers with qualifications in a relevant subject	English 2011: 88 2010: 88 Maths 2011: 84 2010: 84 Science 2011: 91 2010: 91
The percentage of overall absence in primary, secondary and special schools	2011/12 Primary: 4.4 Secondary: 5.9 Special: 9.6 2010/11 Primary: 5.0 Secondary: 6.5 Special: 10.0
Proportion of pupils in alternative provision (includes PRUs) achieving level 1 in functional English and mathematics	2011/12: 35.9% 2010/11: 37.9%
Proportion of pupils in alternative provision (includes PRUs) achieving level 2 in functional English and mathematics	2011/12: 5.4% 2010/11: 5.7%
Number of Academies opened nationally	March 2013: 2,823 March 2012: 1,664

Impact Indicator	Latest Data
Number of Free Schools opened nationally	February 2013: 80 March 2012: 24
Academies opened nationally as a percentage of all mainstream schools	February 2013: 13.3% March 2012: 8.1%
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.
Proportion of children achieving a 'good level of development' in the Early Years Foundation Stage by free school meal eligibility	2011/12: 48.2% (all other pupils 67%) No comparative information available
The proportion of Year 1 children meeting the expected standard in the phonics screening check by free school meal eligibility	2012/13: 56% (all other pupils 72%) 2011/12: 44% (all other pupils 61%)

3.39. The Department's Business Plan sets out actions for achieving the objectives above. A total of 50 actions set out in the Business Plan were due to be completed by 31 March 2013. Of these, 37 actions were completed on time with a further 10 completed in the following 3 months.

3.40. Detail on the actions completed late or not yet complete can be found at: http://www.education.gov.uk/researchandstatistics/statistics/keystatistics

Figure 5 - Status of Business Plan actions due to be completed by March 2013



Principal Risks and Uncertainties

3.41. The principal risks and uncertainties facing the Group are set out in the Governance Statement. These are summarised in Table 4 below. Full detail on the control framework and the mitigation of each of the risks is set out in the Governance Statement.

Table 4: Summary of principal risks and uncertainties

Risk	Ref to Governance Statement
Consolidation of ATs	Paragraphs 7.45 to 7.53
Shared Service provision	Paragraphs 7.60 to 7.63
DfE Reform programme	Paragraphs 7.34 to 7.38

Pension Liabilities

3.42. The Group has members of the LGPS; non-teaching staff at ATs and some CAFCASS staff are members of the scheme. The LGPS is a single national scheme that is administered at a local level by fund units that in many, but not all, cases approximate local authorities. Whilst the scheme is national, benefits are accrued at the local fund level.

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

3.44. The Consolidated Statement of Financial Position includes the pension scheme in relation to non-teaching staff in ATs and CAFCASS, together with a provision to account for NCTL pension liabilities. No other pension schemes are recognised for the rest of the Group's staff or its Ministers. The Group's other pension schemes (for its civil servants, Ministers and teaching staff) are unfunded and therefore do not have underlying assets and liabilities resulting in scheme deficits.

3.45. All of the unfunded schemes are independent of the Group and can be broken down as follows.

- Teaching staff pension liabilities are found within the Teachers' Pension Scheme (England and Wales) (TPS);
- 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).

3.46. All pension schemes publish separate, audited ARAs. Further information on the accounting treatment of pension schemes within the Group's accounts can be found in the Remuneration Report and the Notes to the Accounts.

Auditors

3.47. The Comptroller and Auditor General (C&AG) is the external auditor of the Group's accounts, appointed under statute and required to report the results of his audit examination to Parliament. The cost of work performed by the NAO on behalf of the C&AG during 2012-13 was £1.03m (2011-12: £1.12m) and covered both the Group's consolidated accounts and the Teachers' Pension Scheme accounts. The decrease since 2011-12 represents savings due to the ALB Reform programme, which have been off-set by the additional work required to audit the consolidation of ATs into the Group's accounts for the first time in 2012-13.

3.48. The Group also incurs significant audit fees for the audit of its ATs. The NAO is not the ATs' statutory auditor; ATs have the responsibility to appoint their own auditors.

3.49. The NAO also carried out value for money studies for which it does not receive remuneration from the Group. During 2012-13 the main studies undertaken were:

- *Managing the expansion of the Academies Programme,* published on 22 November 2012;

- *Early action landscape review,* published on 31 January 2013;
- *Capital funding for new school places,* published on 15 March 2013; and
- *Establishing Free Schools*, published on 9 December 2013.

3.50. The topics are chosen each year based on the NAO's analysis of the risks to value for money across the Department and government as a whole, the scale of spending involved and areas of concern to the Public Accounts Committee (PAC).

3.51. As Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant information and to establish that the NAO is also aware of it. I am not aware of any relevant information which has not been shared with the NAO.

3.52. My Governance Statement for the Department, which sets out the risks and issues emerging over the last year, is set out at section 7.

4. FUTURE DEVELOPMENTS – SPENDING ROUND 2013 AND BEYOND

4.1. The Spending Round 2013 (SR13) Settlement was published in June 2013. It set out both the budgetary settlement and the reforms and measures that the Department will need to deliver for 2015-16. Resource expenditure will be £53.2 billion in 2015-16; this is equivalent to a 1.0% reduction on 2014-15 baseline while capital expenditure will be £4.5 billion. The resource settlement also provides for indicative revenue grants to local government in 2015-16 as follows:

- Education Services Grant of £815 million; and
- Early Intervention Grant of £125 million.

4.2. Other grants of £90 million (includes children in care and adoption, special educational needs (SEN) and social work reform).

4.3. SR13 took a 'zero-based' approach to capital expenditure, i.e. it undertook a complete review of capital programme needs and costs. This funding will:

- Build over 275,000 new primary school places and 245,000 new secondary school places;
- Open up to 180 new Free Schools, 20 University Technical Colleges and 20 Studio Schools a year; and
- Address all essential schools maintenance needs.

4.4. At a national level, the Department's priorities for capital funding and main capital budgets remained the same as last year:

- £800 million to address the shortage in school places; and
- £1.4 billion for maintenance of the school estate, including £200 million that is devolved directly to schools.

4.5. The allocations to local authorities, schools and sixth form colleges were for a single year, to allow future allocation decisions to respond to the rapidly changing situation in local areas. In 2012-13, £299 million was spent by the Department through a central fund for the maintenance needs of ATs. A further £103 million was spent by the Department; this came from funds retained and managed centrally to meet maintenance and building needs of sixth form colleges and demographic pressures for new 16-19 places in schools, Academies and sixth form colleges.

4.6. In addition, the extra £600 million for school places from 2011's Autumn Statement was allocated to local authorities in full in 2012-13. Figure 6 below summarises the funding settlement:

Figure 6 – Extract of DfE settlement from 2013 spending round

£ billion	2014-15	2015 16
Resource DEL	52.8	53.2
Capital DEL	4.5	4.5
Total DEL	57.3	57.7

Note: Resource DEL excludes depreciation

*** The government budget that is allocated to and spent by government departments is known as the Departmental Expenditure Limit (DEL). This amount, and how it is split between government departments, is set at Spending Reviews**

This settlement includes:

- **real terms protection of the schools budget. This will ensure that schools have the resources they need to continue to raise standards for all children and young people;**
- **real terms protection of the Pupil Premium and a commitment to consult on how to introduce a fair national funding formula for schools in 2015-16, ensuring that funding gets to the schools and pupils that need it most;**

- **support for the next stage of schools reform to free up the system and increase choice, including continued roll out of academies and funding for up to 180 new Free Schools, 20 new Studio Schools and 20 new University Technical Colleges a year; and**
- **savings through reductions to the Department's centrally held programmes budgets and administration budget.**

Source: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209036/spending-round-2013-complete.pdf

5. LEAD NON-EXECUTIVE'S REPORT

5.1. The Department has undergone a significant period of change in this financial year, following the completion of the ALB Reform programme, the establishment of new EAs and the appointment of a new Permanent Secretary.

5.2. There has also been some change in the non-executive team. Anthony Salz stood down as lead NEBM in December 2012, and was replaced for a brief period by John Nash. Following John Nash's elevation to the House of Lords in January 2013, Paul Marshall was appointed in March 2013. Dame Sue John and Theodore Agnew have remained on the NEBM team throughout.

5.3. Last year's Board evaluation emphasised the need to adapt the corporate governance arrangements, clarify roles of the Board and its Committees and improve management information (in particular impact and outcome indicators), focus on Continuous Improvement, and build a delivery culture following the consolidation of the EAs. Progress has been made in all these areas.

Board Impact

5.4. Oversight and leadership of the ALB Reform programme resulted in the effective opening of three new delivery agencies on 1 April 2012. This was a significant achievement for the Department given the scale of the challenge involved in the closure of seven predecessor ALBs, and the need to secure significant efficiency savings without risk to delivery. Whist the structural changes to the organisations and the transition of infrastructure (such as IT and estates) were delivered on time and smoothly, the Department recognised the significant changes to ways of working which would be needed to ensure an effective switch from a heavily policy and strategy focused organisation to one with a significant proportion of operational delivery functions.

5.5. Following the arrival of the new Permanent Secretary at the end of March 2012, a review of the Department's operations was launched in June and reported in November. The Board and its Committees played a crucial role in the development phase of the Review and in its implementation.

Department Progress and Performance

5.6. The Department has made very good progress on its reform programme for education and children's services. This has included opening increased numbers of Academies and Free Schools, work on improving the quality of entrants into the teaching profession, reform of the curriculum and qualifications, wide ranging changes to the adoption system, and work on legislation to improve provision for those with SEN.

5.7. The DfE Review looked comprehensively at the Department's operations, and set the challenging target of reducing the overall administration budget by 50% by the May 2015 election (compared to the budget at May 2010). To achieve this level of savings the Review concluded the Department would need to reduce headcount and operate from fewer sites. In order to be able to continue to deliver the Government's ambitious reform programme with reduced resource, the Review also concluded that ways of working within the organisation would need to change significantly, particularly in terms of prioritising resource effectively, working flexibly and applying Continuous Improvement techniques to all parts of the business.

5.8. The Review is proceeding on time and on budget. It involves large numbers of staff across the Department, and effective challenge from non-executives, Ministers and external consultants. A lot of work has been put into engaging Senior Civil Servants in the change programme, and the initial phases of implementation have been successful. It is undoubtedly the case however that given the scale of the changes required, particularly to culture and ways of working, the Department faces continued challenges if it is to implement the Review effectively. The organisation needs to ensure in particular that its best staff remain engaged and are able to lead the change.

5.9. Over the past year the Board has been supported by three Committees:

- **Performance Committee (PC):** which provides detailed challenge and scrutiny of the Department's progress on its delivery of policy priorities in education and children's services;
- **Management Committee (MC):** which has overseen the running of the Department and been responsible for agreeing and implementing the DfE Review (this Committee incorporates the remit of the Nominations and Governance Committee); and

- **Audit and Risk Committee (ARC):** which provides advice on risk management strategies, internal control, financial accounts, financial and performance management and internal and external audit, and oversight of corporate governance arrangements.

5.10. This represents some changes from the previous year's model. Namely the greater focus in Performance and Management Committees on risk areas in key delivery programmes, the incorporation of Nominations and Governance Committee responsibilities (scrutiny of Departmental capability and staffing) into MC, and the addition of NEBMs to the MC.

Performance Evaluation

5.11. Last year's Board evaluation recommended three key areas of focus:

- 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;
- Clarifying the Department's strategic priorities whilst improving management and financial information to facilitate oversight of performance, and
- Improving the functioning of the Board and its Committees.

5.12. Progress has been made on all of these areas. As described above, changes have been made to the remits of the Board and its Committees. The Delivery elements of the previous DARAC are looked at in PC, ensuring that one Committee is exclusively focused on the Department's delivery of education and children's services reform priorities. The PC scrutinises progress against each of the Department's 18 Delivery Plans on a monthly basis. On a termly basis the Committee considers the allocation of resources against priorities across the piece, and then escalates its conclusions for discussion at the main Board. The PC has an agreed timeline of agenda items, based on an annual cycle of when new data becomes available for particular delivery priorities. Use of data by the Committee is improving, although there is more progress to be made.

5.13. The MC agendas have been standardised to cover Finance, HR, Department of State Business, Risk and the implementation of the Review. Significant improvements have been made to management information for finance and HR.

5.14. Looking forward, the Department continues to face significant challenges as it seeks to deliver a highly ambitious reform programme against the background of significant organisational change and reductions in headcount.

5.15. With the responsibility for increasing numbers of Academies, the Department needs to transition from an organisation primarily focused on policy development to one focused primarily on delivery. This requires significant further changes to personnel, systems and culture.

5.16. The non-executive team is seeking to actively support this transition through continued focus on the key drivers of leadership, organisational structure, capability and management information.

6. STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

6.1. Under the *Government Resources and Accounts Act 2000* (GRAA), HMT has directed the Department for Education to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources during the year by the Departmental group. The bodies to be consolidated are designated by order made under the GRAA (by *Statutory Instruments 2012/717* and *2012/3135*). The consolidating body will be known as the 'Departmental Consolidated Group', consisting of the Department and sponsored bodies listed at Note 27 to the Accounts.

6.2. 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 consolidated group. This should include the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows of the departmental consolidated group for the financial year.

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

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

6.4. HMT has appointed the Permanent Secretary as Accounting Officer. In turn, the Accounting Officer has appointed the Chief Executives (or equivalents) of its EAs and sponsored NDPBs as Accounting Officers of those bodies, including ATs. The Department's Accounting Officer therefore becomes the Departmental Group's Principal Accounting Officer, responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that are made 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.

6.5. 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 of the other income and expenditure.

6.6. 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 and its NDPBs are set out in *Managing Public Money* published by HMT. For ATs' Accounting Officers, guidance and responsibilities are captured in the *Academy Financial Handbook*.

7. GROUP GOVERNANCE STATEMENT

Scope of Responsibility

7.1. As the Permanent Secretary and 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*.

7.2. The Chief Executives of those NDPBs sponsored by the Department and the Department's EAs 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.

The Board Structure

7.3. The Departmental Board meets between six and eight times a year. It 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 Group, the Director of Strategy, Performance and Private Office, the Director of People and Change, the Chief Executive of the EFA and the Non-executive Board Members (NEBMs).

7.4. Attendance data for members' of the Board and various Committees can be found at Annex A.

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

7.5. The Board and its Committees considered a wide range of issues during the course of the year. The Department is either compliant or part compliant with the code of practice. The main areas where the Department is currently part compliant are outlined and explained below:

- Board composition has largely been compliant with the code, although following changes to the NEBM team there were only 2 NEBMs on the Board between January and March. Plans for recruitment of new NEBMs were in train.
- The functions of the Nominations and Governance Committee are undertaken as part of the wider remit of the MC, in order to ensure a streamlined set of Committees which are well understood by the wider Department. These meetings are ordinarily chaired by the Permanent Secretary, although there are specific Lead NEBM-chaired meetings dealing with rewards and incentives for executive board members and senior officials. This Committee has not focused as much on scrutinising the implementation of corporate governance policy, and this should be addressed.
- Risk management arrangements have been strengthened, not least with the introduction of MC scrutiny of a schedule of key risks to delivery programmes which form the building blocks of the education and children's services systems. These risks are considered at particular points during the year when new data is available and when the Department is in a position to put mitigation strategies in place if necessary. The Board has considered specific risks to delivery regularly, although this has been as part of discussions about delivery rather than as part of specific discussions about risk management. The Head of Internal Audit regularly attends ARC meetings but has not thus far attended Board meetings. There has been some turnover in this role, but once there is more stability, attendance at MC meetings and Board meetings should be more regular.
- Audit meetings have been chaired by the lead NEBM. Whilst it has not been possible to have a second NEBM attending on a regular basis, the Committee membership is strengthened by an independent financial expert (who also attends the Performance Committee), and by the independent Chair of the EFA Audit Committee (given the agency is responsible for a very high proportion of the Group's expenditure).
- Following the establishment of EAs, a series of Strategic Quarterly Performance Reviews have been established, each chaired by a NEBM. Whilst these meetings are effective, more work needs to be done to ensure reporting into the Board and its Committees. Reporting is however robust in

programme delivery terms, as Agency delivery is built into the 18 delivery plans which are scrutinised by the Performance Committee.

7.6. In January 2013, the Secretariats for the Board and its Committees were merged into one team, which works closely with the Permanent Secretary's office and provides Private Office support for the NEBMs. This has proved useful in supporting the Board and Committees in working in a more joined up fashion.

7.7. In terms of the quality of papers, by and large this is good, although more work is needed on improving management information and data, both in terms of how this is incorporated into papers, and how it is used in meetings to shape discussions and drive decisions.

7.8. The MC was known as the Executive Management Board until September 2012, when it absorbed the work of the Nominations and Governance Committee. It has a core membership of the Permanent Secretary, the Directors General, the Director of Finance and Commercial Group, the Director of Strategy, Performance and Private Office, the Director of People and Change and the Chief Executive of the EFA. NEBMs have a standing invitation to attend. The MC 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.

7.9. The PC has provided detailed challenge and scrutiny of the Department's progress against its performance and delivery of priorities. Chaired each month by the Permanent Secretary, it is required to report any areas of concern to the main Board and also report to the Ministerial team on progress, highlighting any potential issues.

7.10. The Audit and Risk Committee (ARC), formerly known as the Delivery Assurance, Risk and Audit Committee, was renamed in April 2012. Chaired by the lead NEBM, ARC has provided independent scrutiny and challenge of key delivery programmes and risk areas within the Department. It also provided 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 has acted as an Audit Committee for the ARA of the Teachers' Pension Scheme and for the EAs (with the exception of the EFA and the NCTL which both have their own audit committees for the period covered by these ARA). Meetings are timetabled around key events such as the approval of the ARA.

7.11. Paul Marshall took on the Lead NEBM role from March 2013, together with Chair of ARC responsibilities, attending his first meeting on April 2013. Mr Marshall is also Chairman of ARK Schools, an international educational charity. NEBMs are entitled to attend each meeting of ARC.

7.12. The Permanent Secretary, the Department's Finance Director and Head of Internal Audit, and a representative from the NAO also attend meetings, although they are not formally members of ARC. The EFA's Chief Finance Officer and Chief Executive also attend as required. The remit of the ARC is wide, encompassing reporting progress on the consolidation of AT accounts. Directors General, accompanied by appropriate senior staff of the Department or the EAs, also attend meetings when their business interests are tabled for discussion.

The Control Regime

7.13. I am the Accounting Officer for the whole Departmental Group and as such 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 NAO 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.

7.14. This supplements the regular reporting to the Board on the stewardship of risks and budget managers' assurances that the budgets under their control were spent for the purposes voted by Parliament, within the rules of financial propriety and regularity and with due regard for value for money.

7.15. Governance statements from Directors General encompass those received from the NDPBs and EAs they support. These statements are scrutinised by Corporate Finance and Business Partners and the main points are summarised within this statement.

7.16. The ARC has provided me with advice and guidance on matters of risk and assurance and makes recommendations on where improvements can be made. I have also received 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 Group's grant payments are paid to local authorities and maintained schools and I rely on them to maintain the capability and effectiveness of the system.

7.17. I fully accept that ATs, now a significant sector within the Group accounts, are funded by Parliament and as such I am accountable for ensuring that they deliver cost effective educational solutions which are value for money (VfM) for the taxpayer. Within the governance structure I am establishing, I believe that VfM will be achieved by ensuring that spending decisions to meet the local educational needs are made locally, with local accountability and local transparency. This principle is at the centre of our policy for the transformation of the education sector through increased freedom and empowered local leadership. However, this approach does present some challenges for the Accounting Officer; ATs do not understand, and I do not expect them to adopt, the rules and regulations that have been established to manage departmental expenditure. The cumulative effect of appropriately-made local financial decisions could present a risk to breaches of parliamentary control totals if ATs either reduced their cash reserves significantly or diverted resource funding towards capital expenditure. To help manage this risk, my officials have been working with HMT officials to develop a risk sharing scheme that enables both my Department and HMT to manage the accounting differences that arise as we move away from grant funding and on to reporting on a resource accounts basis for this sector. The feedback and controls operate on a lagged basis so greater assurance will develop over time as both the sector and model matures.

7.18. Other sources of assurance are local authority Chief Finance (Section 151) Officers, individual AT Accounting Officers, Ofsted, and the Accounting Officers of our NDPBs and EAs. They report either directly to me or to me via the EFA on the probity and appropriateness of the use of Departmental Group funding allocated to them. Where ALBs of other Government departments are in receipt of Departmental Group 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 in turn relies on assurances from the Skills Funding Agency and the National Apprenticeship Service.

7.19. The assurance received from these sources has become increasingly significant as the Government's emphasis on local accountability and the importance of local decision-making in funding allocation beds down, becoming properly established in normal business practices. I also recognise the need to ensure that all funding receives a proper level of scrutiny and to that end my officials will be reviewing the efficiency and effectiveness of the current assurance-gathering process in the coming year to identify any further improvements needed.

7.20. The Department's accountability statement, describing the main systems of accountability for education and children's services, was first published on the website in September 2012 and has been regularly reviewed to maintain its currency. It can be found on the Department's website by following the following link:
http://www.education.gov.uk/aboutdfe/departmentalinformation/reports/a00214167/system-statements

Further Sources of Assurance

7.21. The Head of Internal Audit (HIA) has provided me with his Annual Report, which incorporates his opinion on the Department's system of governance, risk management and internal control. His opinion has been informed by the internal audit work completed during the year, in line with the internal audit plan agreed by management and the ARC.

7.22. Of the four possible opinion ratings – Full, Reasonable, Limited and None – the rating given by HIA for 2012-13 is Reasonable. This indicates that the system of governance, risk management and internal control is basically sound, but that a few weaknesses may put achievement of some system objectives at risk. HIA has highlighted as an area of particular challenge the Department's capacity and capability to deliver the necessary information and technology-enabled solutions to support planned efficiencies and new business processes.

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

7.24. During the year to 31 March 2013, no Ministerial Directions were issued. These would arise if I concluded that a Ministerial decision was not compatible with my duties as Accounting Officer.

7.25. NAO published four Value for Money reports relating to the Department. The studies were:

- *Managing the expansion of the Academies Programme*;
- *Early action landscape review;*
- *Capital spending on school places;* and
- *Establishing Free Schools*.

7.26. In *Managing the expansion of the Academies Programme*, the main issue raised was the under-recovery of funds from local authorities when academies were opened by ATs. This point was addressed by the reforms implemented from September 2013, which have simplified funding mechanisms. The cross-departmental *Early action: landscape review* considered the work that the Government was undertaking to prevent or reduce problems which, left untreated, would result in greater demand on public services in the future. The establishment of the Early Intervention Foundation will enable the department to consider the challenge and opportunity of early action. *Capital funding for new school places* raised questions on the adequacy of forecasting the rising number of children. Improved work with the ONS and local authorities is achieving better forecasting, taking account of local issues such as immigration and housing trends. In *Establishing Free Schools*, the main issues covered the way that applications to set up new schools are considered, the cost of the programme and the educational benefits.

7.27. The NAO produced a Data Assurance Summary Report for the Department in which they found that there is a generally good understanding of the need to manage data and robust governance and secure storage arrangements among the Department's staff. However, they found that the Department's information culture has weaknesses because the Department does not have a formal, organisation-wide information strategy. The Department is reviewing each of the recommendations and will agree actions against them. The full copy of the report can be found via the following link:
http://www.nao.org.uk/wp-content/uploads/2013/07/009877-017_DFE_Information-summary-sheet.pdf

Significant Changes in 2012-13: Structural Reforms

Establishment of Executive Agencies

7.28. The 2011-12 ALB Reform programme saw significant restructuring of the Departmental landscape. The programme concluded in 2012-13 with the establishment of three new EAs on 1 April 2012, joining the STA which was established in September 2011 to develop and deliver rigorous national curriculum tests and support schools and other stakeholders to deliver assessments. The three new EAs were:

- the EFA;
- the TA, and
- the NCSL.

7.29. The EFA is responsible for the vast majority of the Department's funding of the education system – amounting to approximately £52 billion in 2012-13. It was created on 1 April 2012 as an EA of the Department, formed of three parts:

- The Young People's Learning Agency (YPLA), responsible for funding all education and training for 16-19 year olds and for learners with learning difficulties and/or disabilities up to 25;
- Partnerships for Schools (PfS), responsible for schools capital programmes; and
- Part of the Department itself, which was responsible for funding of maintained schools through local authorities, via the mechanism of the Dedicated Schools Grant.

7.30. The NCSL and the TA merged in March 2013 to form the NCTL and a single ARA was produced for the new body. Prior to merging, both EAs received an interim assurance report from the HIA. A final HIA assurance statement covering the full year was provided with a single assurance opinion covering the NCTL.

7.31. HIA's opinion is that overall governance, risk management and internal control systems had operated reasonably. The report noted a concern with the risk management and Audit Committee arrangements of the NCTL post-merger. The report also noted key issues arising from internal audit activity, including assurance arrangements, shared services and resourcing. Many of these issues remain relevant to the merged organisation and appropriate action is being taken to ensure that an effective framework of governance, risk management and internal control is put in place.

7.32. The establishment of NCTL was managed through a Merger Board, which considered the emerging risks around potential interruptions to delivery which could follow should staff leave the Agency without a considered and planned transition period. In order to mitigate the risk, a list of high priority work was developed alongside a system for managed moves to ensure that the work could be delivered.

7.33. The Department still sponsors two executive NDPBs, these being CAFCASS and the Office of the Children's Commissioner (OCC). The Social Mobility and Child Poverty Commission (SMCPC) (an advisory NDPB established jointly with DWP and Cabinet Office) was also established this year, reporting to me as the Group's Accounting Officer.

DfE Reform programme

7.34. Building on the transformation begun with last year's ALB Reform Programme, and as part of the wider Civil Service Reform Programme, the Department launched the Department for Education Review in June 2012 to look at what the Department does, how it should be organised to prioritise resources and efficiently deliver business, and how it can continue to improve.

7.35. The Review reported internally in September 2012 and recommended a real terms reduction in administration costs of 50% between 2010-11 and 2015-16. Initial changes were implemented on 1 December 2012, mainly affecting internal management reporting lines; the People and Change Director now reports directly to me, whilst the Chief Information Officer reports to the Director of Finance and Commercial Group. As the implementation beds in, it is likely that the structures will be further adjusted.

7.36. The main thrust of the subsequent implementation stage of the review was a detailed consideration of the future staffing and estates requirements. A voluntary exit scheme was launched in September 2012 (resulting in 190 staff leaving by the end of March 2013) and a further second phase saw some 438 staff leave by end June 2013.

7.37. Following the decision to close six of the Department's twelve sites (many inherited from former NDPBs), a further voluntary exit scheme for staff mainly located at the Runcorn office was launched with variable release dates of between 30 November 2013 and February 2014. Another scheme was launched in July 2013 for staff based at Guildford and Histon (near Cambridge). The remaining three sites earmarked for closure are Bristol, Greycoat Street in Westminster and Lime House, Nottingham.

7.38. The review also looked at the main London office at Sanctuary Buildings, Westminster. It has been decided that before the lease expires in 2017, London staff should relocate to a smaller, government-owned property in order to generate savings.

Prior year accounts qualifications

7.39. During 2011-12, the YPLA identified 14 cases, at nine academies, where extra-contractual severance payments had been made which should have been approved in advance by HMT. HMT's view was that such approval was required for academies due to their central government public sector status. Uncertainty over the existence of other such payments meant that assurance could not be provided and the Comptroller and Auditor General (C&AG) qualified the YPLA's 2011-12 accounts.

7.40. Following discussions and with the agreement of HMT, ATs have been given the delegated authority to make such payments up to £50,000. This was also reflected in the new Academies Financial Handbook which covers all aspects of Managing Public Money that apply to academies so that there can be no ambiguity about what is required. These accounts cover that period.

7.41. HMT reviewed a further eight cases (from an identified 37) which occurred during the period April to August 2012. Of these cases:

- six were approved;
- one failed to show sufficient information, and
- one was not approved by the EFA on two grounds, these being that
  - the academy had not considered all options available, and
  - there was a lack of legal evaluation.

7.42. HMT's view based on the sample is that whilst overall, ATs make payments which demonstrate value for money, there are a small number of cases where either the payment is not properly assessed or the level of payment cannot be justified.

7.43. In order to address this issue, the EFA will issue a severance template for ATs, standardising the approval process and also highlighting how value for money is to be demonstrated. This document will be on the website by the end of 2013.

7.44. The Group's resource accounts were also qualified in 2011-12 because of a breach of the Annually Managed Expenditure (AME) control total, relating to two old pension liabilities which we reclassified as provisions in the accounts. Officials have since undertaken a full review of those and other new and existing liabilities and are satisfied that each has been accounted for appropriately.

Consolidation of ATs

7.45. As set out in paragraphs 2.21-2.27 of the Management Commentary the most significant financial issue impacting on the Department in 2012-13 was the requirement to consolidate ATs with the Department's own accounts. This had been deferred from 2011-12 to allow time for the work to be properly managed and implemented.

7.46. It proved to be a significant technical accounting challenge for 2012-13; the consolidated accounts cover more bodies than in the whole of the rest of the public sector.

7.47. The approach built on the experience gained from delivering the 2011-12 Whole of Government Accounts (WGA) exercise, even though a qualification was made on the sub-consolidation of the ATs during this exercise.

7.48. We have been able to address a number of the causes of that qualification. In particular: for all ATs we secured land and property and pension valuations, using the international financial reporting standards adopted by central government, which ensured comparability and consistency with the Department and its EAs. We also carried out more work on both short (between six and twelve months) and long (up to eighteen months) AT accounting periods to ensure that they were dealt with appropriately in the consolidated accounts. ATs at both ends of this spectrum exist in the population being consolidated.

7.49. Notwithstanding these adjustments, I and the EFA Accounting Officer have accepted that, given the size and complexity of the challenge, the EFA's 2012-13 accounts, and therefore the Group's accounts, will be qualified on the following grounds:

- On land and buildings, because of ownership issues;

- On opening balances, because of remaining WGA content;
- On grounds of cumulative error, because of the use of proxy data, and
- On regularity issues, because of some remaining issues with the system of assurance over ATs' compliance with HM Treasury's *Managing Public Money*.

7.50. The significant expansion of the Academy programmes has given rise to challenges beyond the purely financial concerns. The management of such a large and developing programme, combined with a number of policy changes which new Academies have had to adapt to, led to an increased demand for help, advice and support. Considerable resource and effort was employed to ensure the programme foundations were acceptable and my officials have also had to consider how the Department could continue to gain sufficient assurance on the probity and effectiveness of funding utilisation to allow me to discharge my responsibilities in this area. This area of work will continue to require close attention.

7.51. One structural change was made as part of the response to that challenge. In February 2013, Academies Delivery Group and the Office of the Schools Commissioner merged to become Academies Group. This merger has resolved issues around governance of the Academies delivery programme by combining the senior management teams. The new expanded management team now has oversight of all aspects of the delivery programme. A new regional structure will lead to better knowledge management of issues affecting schools in particular regions; the structures also support a new focus on the scrutiny and performance management of academy chains.

7.52. Discussions are continuing with HMT, DCLG (on local government pension issues) and Ministers to develop and promulgate clear policies to ensure that schools are not disadvantaged by converting to academies. On 2 July 2013 the Secretary of State announced a guarantee, effective from 18 July 2013, whereby outstanding liabilities held by an AT with their Local Government Pension Scheme fund will be met by the Department on the closure of the AT's school.

Consolidation risks and overview of approach

7.53. We have set out below the key risks and issues from undertaking the consolidation of ATs. The approach taken considered each of these key risks as set out in Box 4 below. Each of the approaches to the consolidation process was agreed by the ARC, project steering group and HMT. The approach is predicated on the fact that ATs are stable trading entities, with stable income and expenditure from year to year and few if any volatile assets. We therefore developed the 'proxy data' approach, based on the assumption that the 12 months trading September to August would be materially the same as the 12 month period April to March. Pilots were run to test this assumption and we are satisfied that the outcome supports the approach taken.

Box 4: AT consolidation approach

This section sets out the process by which the Group consolidated the results of ATs in the current year.

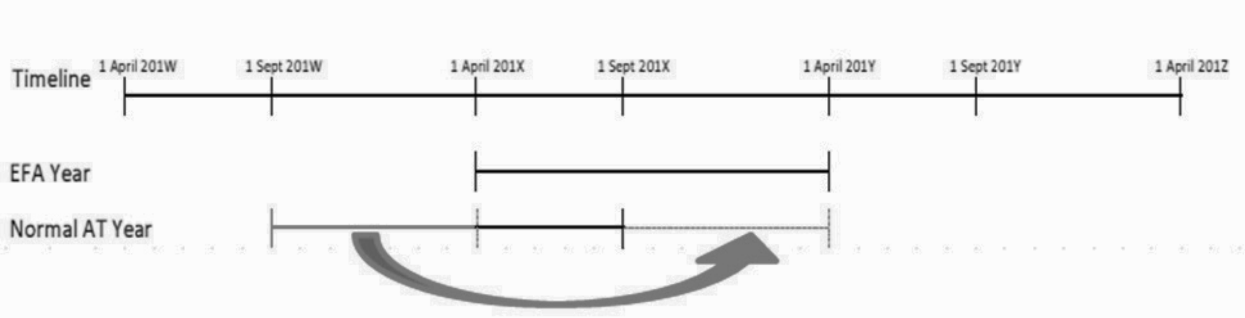
The key issues considered in a consolidation of this nature were:

- Differing year ends (almost all ATs have a year-end which is 31 August)
- Short and long period ends
- Land and buildings
- Pension schemes

The approach to the consolidation is set out below including details of the evidence base for the judgements taken. The final policy is set out in Note 1 of the audited accounts.

Differing year ends: Using proxy data

Box 4: AT consolidation approach



For those ATs that prepared audited accounts as at 31 August the Group has included the financial performance from those accounts as a representation of the twelve months to 31 March.

This approach relies on the assumption that for established ATs, their income and expenditure by month for the period 1 September 2011 to 31 March 2013 varies little. Hence the period from 1 September 2011 to 31 March 2012 will in most cases be materially similar to the period 1 September 2012 to 31 March 2013, both being twelve months.

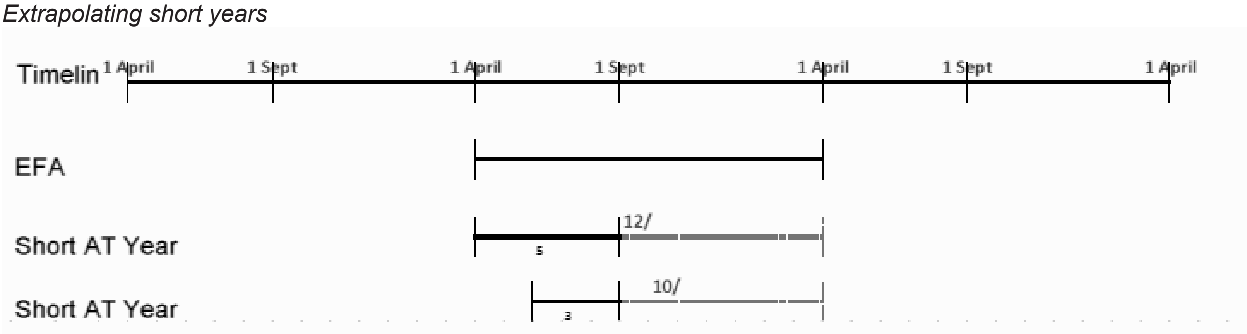
The approach has the advantage that it is simple in that it uses audited accounts ATs prepare under their statutory duties. The EFA commissioned a large scale comparison of ATs' results to provide the evidence for this approach. The Group is satisfied that this evidence provides a robust basis for consolidation.

Consolidating ATs with long or short operating periods
Some ATs produce accounts for fewer or greater than twelve months due to the date of incorporation and the limits on the length of a companies' first set of audited accounts.

The results for those ATs reporting non-twelve months periods have been adjusted up or down to align the reporting period to the twelve months reported by the Group.

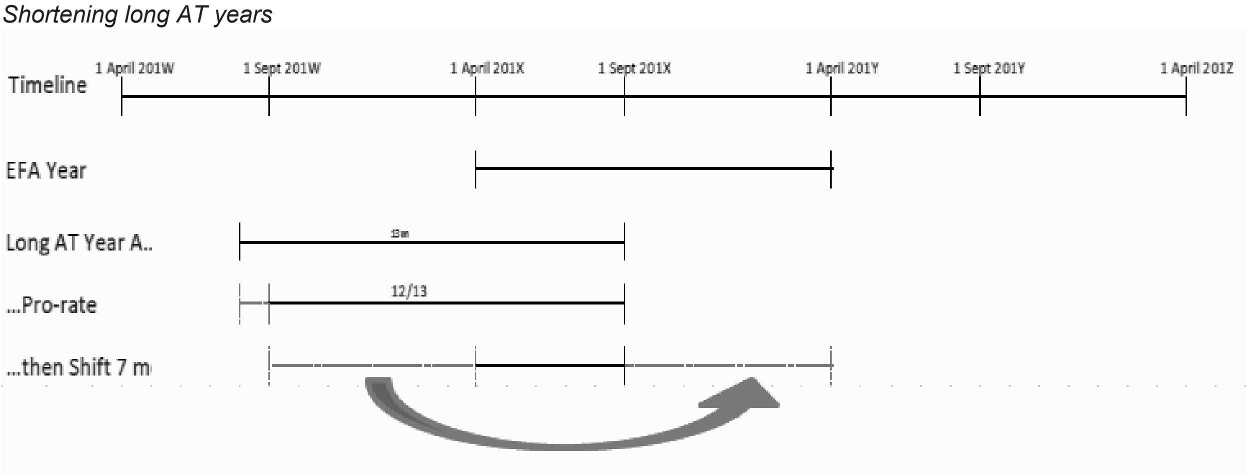
Box 4: AT consolidation approach

Extrapolating short years



As set out above, ATs reporting short period accounts to 31 August have had their results extended out to up to twelve months dependent upon the date their schools became operational

Shortening long AT years



As shown in the diagram above, the results of ATs reporting long period accounts (more than twelve months) as at 31 August have been adjusted down to 12 months to match the Group's period.

Land and Buildings
Maintained schools' assets and liabilities are included in their local authority's accounts. When a maintained school converts to an AT the assets and liabilities that the school had under the local authority are transferred to the AT.

However, the Group accounts recognise assets transferred by local authorities to maintained schools on conversion to ATs. The Group policy to recognise all ATs' land and building assets reflects the commercial reality that all ATs operate from buildings; and the omission of such buildings from the Group's statement of financial position would significantly understate the assets controlled by the Group.

In order to mitigate the risk of incorrectly valuing the Land and Buildings in the consolidated accounts, the Group commissioned consistent valuations for all ATs' land and building assets that are in compliance with the Group's accounting policy for property, plant and equipment.

Pensions disclosures
The most significant credit balance on ATs' balance sheets is the net deficit in relation to ATs' membership of the Local Government Pension Scheme (LGPS). Three significant issues were considered in arriving at balances for these deficits at 31 March 2013:

- ATs account under UK GAAP and specifically FRS17 for pension disclosures. ATs' disclosed values in their accounts for pension scheme surpluses, deficits and accounting treatments may vary to those required under the FReM that requires adoption of IAS 19,
- Only ATs preparing accounts to 31 August 2012 will have had formal FRS17 valuations as at 31 August 2012 completed and accessible to the Group, as part of the process of preparing and filing their statutory accounts. Local authorities may have offered pension scheme valuations to ATs; which have not prepared statutory accounts, but those valuations may be at the date of opening,
- There may have been material changes in valuations completed at 31 August 2012 to 31 March 2013. The NAO raised such changes as a significant issue in their report on 2011-12 WGA.

Box 4: AT consolidation approach

The EFA contracted with the four actuarial firms that provide pension valuations to LGPS administering local authorities. Under the contracts the actuaries have provided the EFA with valuations in accordance with IAS 19, for all ATs open as at 31 March 2013. This is by far the most robust, and therefore likely to be materially correct approach in arriving at the correct pension scheme valuations. The valuations, where possible, used a common set of assumptions, and the EFA and the Department reviewed and agreed each key assumption.

Other Issues of Note for 2012-13

7.54. New draft curriculum: Curriculum and qualifications reform: on 7 February 2013, the Secretary of State announced a consultation on the new draft National Curriculum, arrangements for the reform of GCSEs and a consultation on improving the accountability measures for secondary schools in England. There was widespread consultation and Ministers reflected on issues raised before finalising proposals. This is a major set of reforms, which are being closely programme managed. Since the end of the financial year, in September 2013, the new National Curriculum was published (except for Key Stage 4 English, maths and science); there has been a general welcome for new secondary school accountability measures; and the Department has amended the timetable for introducing new GCSEs with English and maths for first teaching in September 2015 and other subjects from September 2016.

7.55. The Early Intervention Grant was reformed from 1 April 2013. The allocation of some £2 billion is now directly from HMT to DCLG for distribution, as part of the business rates to local authorities. Despite it no longer passing through the Group's ARA, the Department will retain policy responsibilities. Officials continue to work closely with DCLG colleagues to help ensure that allocations reflect policy priorities.

7.56. Priority School Building Programme (PSBP): the first two successful bidders were announced in January 2013 for the £2.4 billion PSBP. The bids of £100 million will completely rebuild or refurbish schools in the North East, Yorkshire and Humberside, and Coventry. The selected contractors worked with the EFA to develop detailed designs and submit planning proposals for each scheme before building work started in mid-2013.

7.57. Adoption: the *Children and Families Bill* was published on 5 February 2013. It overhauls adoption by breaking down barriers for adopters and provides more support to children. It reforms family justice by tacking the delays in the system and focusing on the need of the child. It also improves services for vulnerable young people by transforming the SEN system and better protecting children's rights.

7.58. The Department's performance in answering Parliamentary Questions (PQs) was criticised by the House of Commons Procedures Committee, after the number returned on time fell to 15% in October 2012. A simplification of the clearance system in the Department was implemented, together with the purchase of a new computer system to track progress. Performance improved dramatically; in the first two weeks of the new Parliamentary session (from the Queen's Speech to Whitsun recess) the Department issued 90% of PQs on time compared to 22.5% in the previous session.

7.59. There has been one key personnel change amongst senior staff. Simon Parkes, Finance and Commercial Director, moved to the EFA in July 2012 to take the role of Chief Financial Officer with responsibility for the ATs consolidation project. He was succeeded by Simon Judge, who joined from the Department for Culture, Media and Sport.

Shared Service provision

7.60. The Department's Shared Service (ShS) provider sat within the Department for Work and Pensions (DWP) throughout the year, transferring to the Cabinet Office on 1 April 2013. ShS provided the Department with a letter of assurance from the DWP Accounting Officer covering the shared services they provided through the year.

Issues around service provision

7.61. During the Oracle 'Release 12' system upgrade, the fixed asset module failed to upload correctly. The result was to render the assets elements of the period nine interim accounts inaccurate and unauditable. An Internal Audit review of the problems that arose and the processes in use delivered a number of recommendations for both the Department and ShS to take forward; as a result, the working relationship has already shown considerable improvement.

7.62. An internal control check identified an operator error when arranging a same day payment via RM and Citibank to Capita on behalf of the Department. Investigations took place immediately but due to a misinterpretation of Citibank's system message, the payment request was not rejected and returned until the final stages of processing, resulting in the payment not being able to be processed that day. ShS responded quickly to this control weakness and put additional control measures in place to prevent recurrence.

7.63. ShS has managed the immediate implications and impacts of the transfer to the Cabinet Office and the de-coupling from DWP; they are now focusing on the process to form the joint venture. A continuing challenge will be securing the delivery of robust, effective and supportive IT systems and infrastructures to meet customer needs.

The Risk and Control Framework

7.64. The Department’s approach to risk management was revised following the closure of ALBs and the establishment of its EAs. The framework now differentiates between risks that relate to the ‘building blocks’ of the education system requiring oversight from the MC because of their high potential impact, and risks that can be managed through normal programme arrangements and escalated by exception. The new framework should enable the MC to have more focused, challenging discussions of how major risks are being managed.

7.65. The ‘building block’ risks require on-going MC oversight because they are risks of failure in systems that deliver key, high profile outputs and which, if realised, would have a major impact, potentially causing irreparable damage to the reputations of the Departmental Group’s business or on Ministers or the Government. They are reported on and reviewed at agreed key points in their delivery cycles, so that MC can be assured that they are being appropriately managed, or request additional information and provide direction as appropriate.

7.66. ARC remains the forum that maintains oversight of the Department’s risk management processes and provides me with the assurance I need on the effectiveness of the arrangements in place. ARC’s remit is set out in paragraphs 7.10 and 5.9, but a key part of its role is to review the management of the key financial propriety risks and receive reports on the management of fraud risks.

7.67. There were a number of issues around the Department’s ICT governance arrangements and service supplied to the EFA. A number of our key systems were in transition for longer than expected, which diverted resource from systems development work. I need, and expect, significant improvements in the service provided going forward and have been working closely, with the support of Internal Audit, with the Department’s newly appointed Chief Information Officer Group (CIOG) on this.

7.68. HIA’s Annual Assurance Report to the Principal Accounting Officer drew attention to the EAs’ governance and escalation arrangements, including whether there should be separate EA Audit Committees. Agreement on a way forward was reached in December 2012; this included the consideration of risk and assurance issues at Quarterly Strategic Performance Review meetings. The EFA has its own Audit Committee; its chairman is a member of ARC and the EFA AO attends all ARC meetings.

Fraud awareness, prevention and investigations

7.69. There were no identified or suspected frauds in the Department this year. Nevertheless, the Department takes a proactive approach to fraud prevention and worked closely with EA colleagues to review, strengthen and, where appropriate, revise the guidance. The impact of the decision to abolish the Fraud Sub Committee (FSC) that previously reported to ARC will be considered during 2013-14.

7.70. The FSC last met in May 2012, when it was decided that the terms of reference should be revamped to approach fraud in a more proactive way. The remit was also expanded to include error and debt. The preventative measures adopted include all-staff training, external identification and recovery of potential fraud and error (Spend Recovery Audit) and participation in a number of other Cabinet Office initiated Fraud, Error and Debt (FED) activities. It was decided that the finite resources in this area should be utilised in targeted operational activities.

7.71. As part of that targeted effort, the FED Champion ran three workshops with project teams whose funding could be susceptible to fraud. Tailored workshops continue to be an option for all team leaders and staff. Where the FED Champion becomes aware of high risk procurements or grant funding streams, a direct offer of a workshop will be made to the appropriate team leader.

7.72. The Department continued its relationship with the National Fraud Agency, 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.

7.73. The FED Champion worked to deliver the strategy outlined in the White Paper, *Tackling Fraud and Error in Government*, published by Cabinet Office in February 2012. In September 2012, all staff in the Department were instructed to complete the “Fraud Awareness” e-learning package, as set out by the Cabinet Office, well ahead of the April 2013 deadline. The FED Champion also worked on the selection of a supplier to complete the mandatory ‘spend recovery’ audit by December 2013.

7.74. The risk of fraudulent activity is however higher within the bulk of the Department’s funding, which is now routed through the EFA. The EFA has therefore operated its own Anti-Fraud Committee (AFC); it is focused on potential and actual fraud issues in ATs and the wider education sector. The following cases of potential fraud were identified in ATs:

- Suspected fraud in relation to ’lead in’ funding provided by the Department. The fraud related to the claims for ‘lead in’ funding being made on the basis of false payment information being provided; and
- Suspected fraud in relation to AT GAG funding. The fraud was perpetrated by a former member of an AT’s finance staff. The matter was reported to the police and attempts are being made to recover the losses.

7.75. The EFA shares information on fraud with the NAO as a matter of routine.

Fraud risk and investigations

7.76. The Internal Audit Investigation Team (IAIT) became responsible for undertaking all external fraud investigations for the Department and its EAs from 1 April 2012. A small number of cases were brought forward from the (now closed) YPLA and those cases have been brought to a satisfactory conclusion.

7.77. All investigations undertaken so far this year have been on behalf of the EFA. In the main, these relate to ATs, but there have also been a very small number of cases involving 16 to 19 funding.

7.78. IAIT developed the protocols and guidance around reporting fraud and conducting investigations alongside specific processes for handling the EFA investigations; this was done in conjunction with the EFA’s Anti-Fraud Committee (AFC). The decision to undertake an investigation is based on a “triage” undertaken by the IAIT; a triage examines information available in order to decide whether an investigation is necessary and, if so, the level of priority it should be assigned.

7.79. Officials also developed guidance in relation to whistleblowing and the Public Interest Disclosure Act and highlighted the need to abide by the Regulation of Investigatory Powers Act. This appears on the intranet and was also circulated to all staff other than AT staff.

7.80. An IAIT charter is available on the Department website. All investigations are handled in accordance with the charter and guidance. IAIT worked closely with the EFA AFC and Regional Directors of Academies, although restructuring within the EFA has recently resulted in significant changes to these posts.

Management of fraud risk

7.81. The cross-Government initiative on raising the awareness of fraud has meant that all staff have been required to undertake on-line training and to achieve a certain level of attainment to demonstrate their understanding of fraud risks. Specific needs in some areas of the EAs may be met by additional training, for example in such areas as the implications and requirements of the Bribery Act.

7.82. A project team from the EFA’s staff development pilot reviewed the effectiveness of the EFA’s Fraud and Financial Irregularity Response Guide and results reported back to the AFC in late spring.

7.83. A similar exercise was also completed across the capital funding side of the EFA and will be included in any review of systems.

7.84. The assurance derived from the work of the EFA’s AFC is strong and lessons can be learned from their work to improve the way fraud risks are managed elsewhere across the Departmental Group. To date, with the exception of the EFA, there has been no assessment of fraud risk exposure following ALB Reform and the increase in front-line delivery.

Business continuity, information management and security risk

7.85. The Department's Business Continuity arrangements are aligned to the *British Standard for Business Continuity Management (BS 25999)*. The Department's advance planning and preparations, including flexible and remote working, meant that its functions continued to be delivered to the same standards without disruption during the period of the London 2012 Olympics.

7.86. The EFA published its own Business Continuity plan in August 2013. The plan addresses any incident that disrupts the EFA's capacity to deliver its operational services to learners and providers, whether this is the result of a whole or partial denial of access to an EFA site(s), the loss of an EFA IT system, the failure of an EFA payments system, the unavailability of staff, or disruptions at a third party supplier, which may impact the services they provide to the EFA.

7.87. Information Assurance (encompassing data security) remains a priority area for the Department. 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 Civil Service Learning and are required to undergo training and accreditation to Protecting Information Level 2 (PIL2). This online training is supplemented by written guidance, regular newsletters and face to face support. Some minor incidents were noted in the year but none were deemed significant. Full detail of issues concerning personal data reported to the Information Commissioner in 2012-13 are set out in Annex C.

7.88. The Information Commissioner's Office (ICO) has statutory powers allowing it to audit organisations with or without the organisations' consent. Most are 'consensual' audits, undertaken to examine how organisations meet their Data Protection Act obligations. In a follow-up to their 2011-12 consensual audit of the Department, ICO were able to report two 'reasonable' and one 'high' assurance assessment, which represent an improvement from the original position of three reasonable assurance assessments.

7.89. In summary, the report said: "Based on the implementation of the agreed recommendations made in the original audit report, the ICO considers that the arrangements now in place provide a reasonable assurance that processes and procedures to mitigate the risks of non-compliance with DPA are in place." The executive summary report is published on the ICO's website.

7.90. IAU were also able to report significant improvements over last year's performance when they undertook a follow up review of Information Assurance; they have advised me that there were no major incidents or major non-compliance to report, as action has been taken to address outstanding issues.

7.92. The Department's 2012-13 annual report on the management of security was submitted to the Cabinet Office in June 2013. It described the risk-based approach the Department takes in complying with the mandatory policies and standards applying to protective security and information risk management.

Chris Wormald 10 January 2014
Accounting Officer

8. REMUNERATION REPORT

Part A: Unaudited

Ministers' and other Board members' remuneration policy

8.1. 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*.

8.2. The Permanent Secretary's pay is set by the Prime Minister on the recommendation of the Permanent Secretaries Remuneration Committee. The Committee comprises members of the Senior Salaries Review Body (SSRB), the Head of the Home Civil Service and the Permanent Secretary of HMT.

8.3. The pay of Senior Civil Servants (SCS) in the Department is decided by the SCS Pay Committee, chaired by the Permanent Secretary, and comprising members of the MC. 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. The Permanent Secretary meets separately with a non-executive member to determine the pay of board members.

8.4. 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 2012-13, 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 2012-13 this 'pot' was limited by the Cabinet Office to less than 5% (2011-12 was 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

8.5. 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.

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

8.7. 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

8.8. 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.

8.9. 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

Remuneration (including salary) and pension entitlements

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

Salary and benefits-in-kind

8.11. In the tables below benefits in kind have been rounded to the nearest £100. For those Ministers and officials who served part of the year the full year equivalent is presented in italicised brackets below the actual cost.

Ministers

	Salary	Benefits -in-kind	2012-13 Total	Salary	Benefits -in-kind	2011-12 Total
	£	£	£	£	£	£
Secretary of State						
Rt. Hon. Michael Gove MP	68,827	-	68,827	68,827	-	68,827
Minister of State						
Rt. Hon. David Laws MP	18,885	-	18,885	-	-	-
(from 5 September 2012)	*(33,002)*	-	*(33,002)*			
Parliamentary Under Secretaries of State						
Elizabeth Truss MP	13,560	-	13,560	-	-	-
(from 5 September 2012)	*(23,697)*	-	*(23,697)*			
Edward Timpson MP	13,560	-	13,560	-	-	-
(from 5 September 2012)	*(23,697)*	-	*(23,697)*			
Matthew Hancock MP (from 5 September 2012)	-	-	-	-	-	-
Lord John Nash (from 10 January 2013)	-	-	-	-	-	-

Matthew Hancock MP served as a joint post as a Minister of State; paid by Business, Innovation and Skills (BIS) and disclosed in their ARA.

Lord John Nash became Parliamentary Under Secretary of State on 10 January 2013; previously a non-executive director and no remuneration was taken.

Former Ministers

	2012-13 Salary £	2012-13 Benefits -in-kind £	2012-13 Total £	2011-12 Salary £	2011-12 Benefits -in-kind £	2011-12 Total £
Former Ministers of State						
Nick Gibb MP	14,118	-	14,118	33,002	-	33,002
(to 4 September 2012)	*(33,002)*	-	*(33,002)*			
Sarah Teather MP	14,118	-	14,118	33,002	-	33,002
(to 4 September 2012)	*(33,002)*	-	*(33,002)*			
John Hayes MP	-	-	-	-	-	-
(to 4 September 2012)						
Former Parliamentary Under Secretaries of State						
Lord Hill of Oareford CBE	87,563	-	87,563	105,076	-	105,076
(to 31 January 2013)	*(105,076)*	-	*(105,076)*			
Tim Loughton MP	10,137	-	10,137	23,697	-	23,697
(to 4 September 2012)	*(23,697)*	-	*(23,697)*			

John Hayes MP served as a joint post as a Minister of State for the period 1 April 2012 to 4 September 2012: paid by BIS and disclosed in their ARA.

Officials				2012-13				2011-12
	Salary £000	Bonus £000	Benefits -in-kind £	Total £000	Salary £000	Bonus £000	Benefits -in-kind £	Total £000
Permanent Secretary								
Chris Wormald	160-165	10-15	-	175-180	0-5	-	-	0-5
(from 26 March 2012 following transfer from Cabinet Office)					*(160-165)*	*(-)*	*(-)*	*(160-165)*
Directors General								
Tom Jeffery	140-145	5-10	-	150-155	140-145	-	-	140-145
Andrew McCully	115-120	5-10	-	125-130	45-50	-	-	45-50
(from 1 November 2011)					*(115-120)*	*(-)*	*(-)*	*(115-120)*
Stephen Meek	115-120	5-10	-	125-130	25-30	-	-	25-30
(from 1 January 2012)					*(115-120)*	*(-)*	*(-)*	*(115-120)*
Finance Director								
Simon Judge	60-65	-	-	60-65	-	-	-	-
(from 16 July 2012)	*(95-100)*	*(-)*	*(-)*	*(95-100)*				
Simon Parkes	35-40	-	7,600	40-50	115-120	-	12,900	125-135
(from 1 August 2011 to 15 July 2012)	*(145-150)*	*(-)*	*(26,100)*	*(175-180)*	*(180-180)*	*(-)*	*(19,300)*	*(195-200)*
Directors								
Hilary Spencer	65-70	5-10	-	75-80	-	-	-	-
(from 1 July 2012)	*(85-90)*	*(-)*	*(-)*	*(85-90)*				
Janette Durbin	50-55	-	-	50-55	-	-	-	-
(from 1 September 2012)	*(85-90)*	*(-)*	*(-)*	*(85-90)*				
Lucy Smith	20-25	-	-	20-25	-	-	-	-
(to 28 June 2012)	*(85-90)*	*(-)*	*(-)*	*(85-90)*				
Chief Executive of the Education Funding Agency								
Peter Lauener	80-85	-	-	80-85	-	-	-	-
(from 1 September 2012)	*(140-145)*	*(-)*	*(-)*	*(140-145)*				
(cost borne by the EFA, also included in their ARA)								

Salary

8.12. 'Salary' includes gross salary; 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.

8.13. None of the Non-Executive Board members received remuneration from the Department, other than Dame Sue John who received £15,000 (2011-12: £18,750) remuneration from the Department.

Benefits-in-kind

8.14. 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.

8.15. During the year 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, rent and associated utility expenses. In line with Department policy all claims for reimbursement must be evidenced.

Bonuses

8.16. 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 2012-13 relate to the performance in 2011-12 and the comparative bonuses reported for 2011-12 relate to the performance in 2010-11.

Review of Fair Pay

8.17. 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. Details are summarised in the table below:

	2012-13	2011-12
Band of highest paid director's total remuneration (£000)	175-180	195-200
Median total remuneration	34,181	33,997
Ratio	5.2	5.8

8.18. In both 2012-13 and 2011-12, no employees received remuneration in excess of the highest-paid director.

8.19. Total remuneration for the highest paid employee includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payment, 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.

8.20. The reduction in the ratio of the highest paid director and the median remuneration of the workforce from 5.8 (2011-12) to 5.2 (2012-13) has been caused by two factors, the change of the highest paid director and the increase in median workforce pay.

Pension benefits

Ministers

	Accrued pension at age 65 as at 31/3/13 £000	Real increase in pension at age 65 £000	CETV at 31/3/13 £000	CETV at 31/3/12 £000	Real increase in CETV £000
Secretary of State					
Rt. Hon. Michael Gove MP	0-5	0-2.5	52	32	9
Ministers of State					
Rt. Hon. David Laws MP (from 5 September 2012)	0-5	0-2.5	7	1	3
Parliamentary Under Secretary of State					
Elizabeth Truss MP (from 5 September 2012)	0-5	0-2.5	3	-	1
Edward Timpson MP (from 5 September 2012)	0-5	0-2.5	3	-	2
Matthew Hancock MP (from 5 September 2012)	-	-	-	-	-
Lord John Nash (from 10 January 2013)	-	-	-	-	-

CETV figures are stated for the full year, or for that part of the year in which a ministerial post was held.

Matthew Hanock MP served in a joint post as Minister of State and disclosed by BIS.

Lord Nash became Parliamentary Under Secretary of State; not a member of the PCPF Ministerial Pension scheme.

Former Ministers

	Accrued pension at age 65 as at 31/3/13 £000	Real increase in pension at age 65 £000	CETV at 31/3/13 £000	CETV at 31/3/12 £000	Real increase in CETV £000
Former Ministers of State					
Nick Gibb MP (to 4 September 2012)	0-5	0-2.5	29	24	3
Sarah Teather MP (to 4 September 2012)	0-5	0-2.5	16	13	1
John Hayes MP (to 4 September 2012)	0-5	0-2.5	36	30	3
Former Parliamentary Under Secretary of State					
Lord Hill of Oareford CBE (to 31 January 2013)	5-10	0-2.5	70	45	16
Tim Loughton MP (to 4 September 2012)	0-5	0-2.5	21	17	2

John Hayes MP served as a joint post as a Minister of State for the period 1 April 2012 to 4 September 2012: paid by BIS and disclosed in their ARA.

Ministerial pensions

8.21. 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).

8.22. Those Ministers who are Members of Parliament may also accrue a MPs' pension under the PCPF (details of which are not included in this report). 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.

8.23. 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 2013 members pay contributions of 7.9% and 16.7% depending on their seniority and chosen accrual rate. The contribution rates are planned to increase in April 2014, subject to consultation.

8.24. 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.

8.25. In line with reforms to other public service pension scheme, it is intended to reform the Ministerial Pension Scheme in 2015.

Cash Equivalent Transfer Value

8.26. A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the 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

8.27. 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.

	Accrued pension at pension age as at 31/03/13 and (related lump sum) £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/13 £000	CETV at 31/03/12 £000	Real increase in CETV £000	Employer contribu'n to Partner'p pension account £000
Permanent Secretary						
Chris Wormald	45–50 (0–5)	2.5–5 (0–2.5)	592	508	50	-
Directors General						
Tom Jeffery	55–60 (170-175)	0-2.5 (0-2.5)	1,316	1,238	7	-
Andrew McCully (from 1 November 2011)	40-45 (70-75)	2.5-5 (0-2.5)	687	608	41	-
Stephen Meek (from 1 January 2012)	25-30 (85-90)	2.5-5 (7.5-10)	472	406	40	-
Finance Director						
Simon Judge (from 16 July 2012)	35-40 (105-110)	0-2.5 (0-2.5)	691	651	4	-
Simon Parkes (from 1 August 2011 to 15 July 2012)	*15-20* *(0-5)*	*0-2.5* *(0-2.5)*	*233*	*217*	*14*	-
Directors						
Hilary Spencer (from 1 July 2012)	15-20 *(0-5)*	0-2.5 *(0-2.5)*	144	123	11	-
Janette Durbin (from 1 September 2012)	30-35 *(90-95)*	0-2.5 *(0-2.5)*	565	541	-	-
Lucy Smith (to 28 June 2012)	*10-15* *(0-5)*	*0-2.5* *(0-2.5)*	*112*	*109*	*1*	-
Chief Executive of the Education Funding Agency						
Peter Lauener (from 1 September 2012) (cost borne by the EFA; included in their ARA)	65-70 *(195-200)*	0-2.5 *(0-2.5)*	1,435	1,372	1	-

Civil service pensions

8.28. 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).

8.29. Employee contributions are salary–related and range between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013. 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*.

8.30. 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).

8.31. 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.

8.32. Further details about the Civil Service pension arrangements can be found at the website http://www.civilservice.gov.uk/pensions.

Cash Equivalent Transfer Value

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

8.34. The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the civil service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The *Occupational Pension Scheme (Transfer Values) (Amendment) Regulation 2008* and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in CETV

8.35. 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.

Chris Wormald
Accounting Officer

10 January 2014

ANNEX A – ATTENDANCE DATA

A1. The **Departmental Board** attendance during the year at the Board meetings and conference days was:

Board Members	Meetings attended	Out of possible
Ministers		
Rt. Hon. Michael Gove MP	6	6
Sarah Teather MP	2	3
Nick Gibb MP	3	3
Tim Loughton MP	2	3
Lord Hill of Oareford	5	5
John Hayes MP	2	3
Rt. Hon. David Laws MP	3	3
Elizabeth Truss MP	3	3
Edward Timpson MP	3	2
Matthew Hancock MP	1	3
Lord Nash	1	1
Non-executive Board Members		
Anthony Salz	4	5
Lord Nash	5	5
Theodore Agnew	5	6
Dame Sue John	4	6
Officials		
Chris Wormald	6	6
Tom Jeffery	6	6
Andrew McCully	6	6
Stephen Meek	6	6
Simon Judge	4	4
Simon Parkes	2	2
Hilary Spencer	4	4
Janette Durbin	2	2
Lucy Smith	1	1
Peter Lauener	2	2

A2. The **Management Committee (MC)** attendance during the year was:

Management Committee Members	Meetings attended	Out of possible
Minister		
Lord Hill of Oareford	2	2
Non-executive Members		
Anthony Salz	2	4
Lord Nash	6	6
Theodore Agnew	6	6
Dame Sue John	2	6
Officials		
Chris Wormald	11	11
Tom Jeffery	11	11
Andrew McCully	11	11
Stephen Meek	11	11
Simon Judge	8	8
Simon Parkes	3	3
Hilary Spencer	8	8

Management Committee Members	Meetings attended	Out of possible
Janette Durbin	8	8
Lucy Smith	3	3
Peter Lauener	8	8

A3. **The Performance Committee (PC)** attendance during the year was:

Performance Committee Members	Meetings attended	Out of possible
Non-executive members		
Anthony Salz	5	5
Lord Nash	5	5
Theodore Agnew	7	7
Dame Sue John	7	7
Independent member		
Janet Eilbeck (independent financial expert)	7	7
Officials		
Chris Wormald	7	7
Tom Jeffery	7	7
Andrew McCully	7	7
Stephen Meek	4	7
Simon Judge	4	4
Simon Parkes	1	1
Hilary Spencer	4	4
Lucy Smith	2	2
Paul Kissack	2	2
Peter Lauener	1	1

A4. **The Audit and Risk Committee (ARC),** attendance during the year was:

Audit and Risk Committee Members	Meetings attended	Out of possible
Non-executive members		
Anthony Salz	5	6
Lord Nash	1	1
Theodore Agnew	3	3
Dame Sue John	1	1
Paul Marshall	0	0*

* There were no meetings in March 2013 after Paul Marshall was appointed to the ARC

Audit and Risk Committee Members	Meetings attended	Out of possible
Independent members		
Janet Eilbeck (independent financial expert)	7	7
Mark Sanders (Chair of the EFA Audit Committee)	2	2
Officials		
Chris Wormald	7	7
Simon Judge `	3	3
Simon Parkes	6	6
Peter Lauener	5	5

ANNEX B – OUR PEOPLE AND CULTURE

B1. The following paragraphs are a summary of the Department's activities during 2012-13, reported against key themes: Delivery; Culture and People.

Our Delivery

B2. The Department has worked with other Government departments, its EAs, NDPBs and other partners (e.g. local authorities and third sector organisations) to achieve the priorities set out in its Business Plan.

Our Culture

B3. 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 discrimination.

B4. The Department is committed to expanding the awareness of the equality duties in the department and as part of the DfE Review, we produce quarterly equality analyses. We actively seek to reduce barriers to progression through identification of skills gaps; access to targeted learning and development opportunities; raising awareness of unconscious bias with line and recruiting managers and through regular use of equalities data to highlight risks and issues.

B5. 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.

B6. 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.

B7. The following table shows the Department's progress towards its equality and diversity targets, set for end of March 2013:

Progress Towards the 2013 Department's Equality and Diversity Targets

B8. The numbers in the table below are based on actual headcount at the specified dates. They will not align exactly with headcount data in the accounts, as these are based on full time equivalents (FTEs).

	Dept target 2013		31-Mar-13		31-Mar-12		31-Mar-11		31-Mar-10	
	%	No.	%	No.	%	No.	%	No.	%	No.
Women in Senior Civil Service (SCS)	50	65	49	81	54	70	55	66	55	65
Women in Top Management Positions	50	15	43	12	40	10	54	15	55	15
Black and Minority Ethnic (BME) in SCS	8	10	4	<5	4	5	4	5	<4	<5
Disabled in SCS	6	10	5	5	<4	<5	<4	<5	<4	<5
Lesbian, Gay, Bisexual and Transgender in SCS (LGBT)	6	10	7	6	4	5	<4	<5	<4	<5
Women in feeder grades	50	360	53	632	55	460	54	395	55	395
BME in feeder grades	10	70	11	96	8	65	8	55	8	55
Disabled staff in feeder grades	8	60	10	66	6	50	7	50	7	50
LGBT in feeder grades	6	45	5	31	4	30	4	30	3	25

B9. 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 have not fully achieved the targets. They will be reassessed when the departmental restructuring has fully bedded in.

B10. The Department is currently running voluntary exit schemes which will have an impact of the diversity make-up of the Department. This continues to be analysed to ensure there are no adverse impacts on the grounds of a protected characteristic and ensure steps are in place to address any areas of concern identified.

Consultancy and Temporary Staff

B11. Consultants are hired to work on projects in a number of specific situations: where the Department does not have the skills set required; where the particular requirement falls outside the core business of civil servants, or where an external, independent perspective is required. When used appropriately, consultancy can be a cost effective and efficient way of getting the temporary and skilled external input that the Department needs.

B12. Cabinet Office introduced controls on departments' spending in 2010 including spend on consultancy. The Department is fully committed to applying those controls consistently and robustly.

B13. All Departmental spend on consultancy requires completion of a business case which is signed off by a senior civil servant. Consultancy engagements below £20,000 are scrutinised and cleared by the Head of Commercial Division. For consultancy engagements over £20,000, the implications for Finance, Commercial and HR must also be approved by the appropriate Director. These cases are additionally signed off by the lead Efficiency Controls Minister and by Cabinet Office.

B14. The Department's outturn for consultancy expenditure in 2012-13 was £1.5 million, including NDPB costs of £189,000 (2011-12: £6.6 million, including £2.6 million NDPB costs). This expertise was mainly used to support the Academies programmes. The balances presented here differ to consultancy costs disclosed in the accounts because the accounts consultancy heading includes other types of consultancy costs.

B15. 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 2012-13 the Department's outturn for such costs was £25.76 million (2011-12 £25.17 million).

B16. The Department's approach to recruitment and promotion reflects its commitment to equal and fair opportunity for all. All recruitment processes comply with the *Equality Act 2010*. The Department uses the 'two ticks' Disability Symbol, showing it is an employer which has a positive attitude towards applications from disabled people. The Department also offers a Guaranteed Interview Scheme for all disabled applicants who meet the minimum criteria at sift/test stages. The Department actively supports the use of reasonable adjustments for all stages of the recruitment process as well as for objective setting and managing performance. We monitor declaration rates and actively promote declaration as a means to reducing barriers.

Review of Tax Arrangements of Public Sector Appointees

B17. As part of the *Review of Tax Arrangements of Public Sector Appointees* published by the Chief Secretary to the Treasury on 23 May 2012, departments were directed to publish the number of off-payroll contracts concluded in 2012-13 where contractors were:

- engaged at a cost of over £58,200 per annum and were in place as of 31 January 2012, and
- new off-payroll engagements between 23 August 2012 and 31 March 2013, for more than £220 per day and more than six months, whose contracts had been terminated as a result of assurance (in relation to their income tax and National Insurance obligations) not having been received.

B18. Departments have also been asked to publish the number of off-payroll engagements that were in place as of 31 January 2012 and have not yet ended, with a breakdown to show the numbers that have:

- been renegotiated to include contractual clauses allowing departments to seek assurance as to their tax obligations, or
- not been successfully re-negotiated, and therefore continue without those contractual clauses.

B19. The tables on the following pages set out that information.

Table 1: Off-payroll engagements at a cost of over £58,200 per annum, in place as of 31 January 2012

	Depart. No.	STA No.	OCC No.	CAFCASS No.	CWDC No.	GTCE No.	NCSL No.	PfS No.	QCDA No.	TDA No.	YPLA No.	Total No.
On 31 January 2012	95	74	1	2	10	16	84	18	9	24	4	337
of which												
Number that have since come onto the organisation's payroll	-	-	-	-	-	-	-	-	-	-	-	-
of which												
1. Number that have since been negotiated/re-engaged, to include contractual clauses allowing the Department to seek assurance as to their tax obligations	26	5	Nil	-	-	-	20	4	-	-	-	55
2. Number that have come to an end	28	52	1	2	10	16	64	7	9	24	4	217
Total	**54**	**57**	**1**	**2**	**10**	**16**	**84**	**11**	**9**	**24**	**4**	**272**

B20. The table above should be read in conjunction with the following notes:

a. The work undertaken by those NDPBs which closed on 31 March 2012 (only OCC and CAFCASS remain open) either transferred into the Department, to one of its EAs or ended. Whilst the contracts of most contractors ended, a number were novated to or renegotiated with the Department or EAs as part of business continuity. For consistency of reporting, the position of those engagements has been reflected in the relevant column for the NDPB through which they were initially engaged.

b. There were eight duplicate entries on the Department's original return, which related to educational advisers engaged by the Department. There were also a number of entries in respect of school adjudicators, who are all paid through our fees paid payroll and as such the six that are still engaged are out of scope of these arrangements. Three entries are for engagements considered to be out of scope of these arrangements. Twenty-four contractors, whose contracts were agreed in March and April 2012, continue without the relevant clauses, though this will be addressed and assurance sought if their contracts are subsequently renewed.

c. STA became an EA of the Department on 1 October 2011. Of the contractors engaged as at 31 January 2012, seventeen receive payment of fees connected to the setting and delivery of examinations. These are chargeable to tax as employment income as they were and still are covered by *Regulation 141 SI 2003 No. 2682*. As such, tax at 20% is deducted from their payments at source by STA, so the process of seeking assurance is not applicable.

d. Seven engagements, relating to contracts novated from the former PfS to the EFA, an EA of the Department, continue without the relevant clauses. There has been uncertainty during the year as to whether these requirements extend to professional services contracts. Colleagues in the department have been working to resolve this on the EFA's behalf and, pending clarification on professional services, will have the relevant clauses inserted if required.

Table 2 – All new off-payroll engagements between 23 August 2012 and 31 March 2013, for more than £220 per day and more than 6 months

	DfE Number	CAFCASS Number	OCC Number
New engagements	237	3	-
of which:			
Number of new engagements which include contractual clauses giving the Department the right to request assurance in relation to income tax and national Insurance obligations	228	3	-
of which:			
Number for whom assurance has been requested and received	183	-	-
Number for whom assurance has been requested but not received	17	-	-
Number that have been terminated as a result of assurance not having been received	-	-	-
Total	**200**	**-**	**-**

B21. 9 of the Department's 240 new engagements since 23 August 2012 did not contain the clauses that give the Department the right to seek assurance as to the tax obligations of those individuals. One of those contractors has since left the Department. There was also uncertainty as to whether or not these arrangements extended to seven of our professional services contracts, but this has now been clarified and those clauses will be inserted into those contracts shortly if they are renewed. The clause was also not inserted into the contract for one individual whose contract is under review from HMRC as this would have prevented them from obtaining indemnity insurance.

B22. Of the 231 contracts which do contain the relevant clauses, 200 have been asked to provide assurance.

B23. Assurance has not yet been sought in respect of 31 contracts for:

- twelve individuals who are under review by HMRC, from whom the outcome of those reviews is awaited; and
- seventeen individuals whose contracts have not yet reached their six month anniversaries, at which point assurance will be requested.

B24. Assurance was also not sought from:

- one individual who moved into a permanent role and was therefore put onto the CAFCASS payroll; and
- one individual whose engagement ceased before the six month point in their contract.

B25. Assurance is still awaited from 17 individuals, of which:

- twelve have had extensions agreed due to the fact that their contracts are being reviewed by HMRC;
- four have contracts that have now expired and will not be considered for renewal unless assurance were to be provided; and
- one has had their contract terminated, but not directly as a result of lack of assurance.

B26. To date the Department has been satisfied with the level of assurance provided and not found it necessary to terminate any contracts.

Quarterly Data Summary

B27. The Quarterly Data Summary (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. For the financial year 2012–13, the QDS has been revised and improved to provide a common set of data to enable comparisons of operational performance across government. The QDS breaks down the total spend of departments in three ways: by budget, by internal operation and by transaction.

B28. The information provided is not audited and cannot be easily reconciled to the numbers in the Accounts due to the definitions for the QDS set by Cabinet Office being on a different basis to those in the Accounts. The information will be published regularly. It can be found at:
https://www.gov.uk/government/publications/dfe-quarterly-review-of-departmental-spending-2012

B29. An online tool to enable members of the public to interact with departmental accounting data, including data sourced from the QDS returns has been available since June 2013 using the Government Interrogating Spend Tool (GIST). GIST can be found at:
http://www.gist.cabinetoffice.gov.uk/qds/2012-13/dfe/spend-by-type-of-budget/

Our People

Recruitment practice

B30. 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*.

B31. 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 Vacancy Filling Scheme which opens posts up to all civil servants in their substantive grade and on promotion.

B32. 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 Organisational Change Framework and the Vacancy Filling Guidance. They also have access to vacancies in other government departments in order to maximise their chances of redeployment.

B33. The Department has a duty to ensure it is fully complaint with the Civil Service Commissioners' recruitment principles. Normally vacancies will be advertised within the Departmental Group only, with surplus staff being given priority. As long as surplus staff are considered first, it is possible to advertise across the Civil Service from the outset. Cabinet Office protocols require us to advertise vacant posts to surplus staff across Government before then opening up to all civil servants. However it is possible with approval to combine these stages.

B34. 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 and includes Ministerial approval.

Exceptions to fair and open competition

B35. 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 on or around 1 April 2012 as a result of the ALB reform programme, which saw the closure of eleven ALBs (both executive and advisory) over 2010-11 and 2011-12.

Inward and outward secondments

B36. 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 rigorous internal approval as well as Ministerial approval in accordance with the current efficiency controls.

ANNEX C – DEPARTMENTAL STATISTICS

Fire, Health and Safety

C1. The Department is committed to operating a best practice yet proportionate fire, health and safety (FHS) management system, recognising its importance for enabling an efficient organisation, by minimising unnecessary losses and liabilities.

C2. During 2012-13, the Department has:

- implemented new Fire Safety, Statutory Compliance and Occupational H&S reporting and management tools, to strengthen its continuous improvement plan;
- introduced fire safety e-learning training for all staff;
- achieved a reportable accident rate of 50 per 100,000 employees, significantly lower than the 2010-2011 public service average;
- reduced Departmental FHS resources through outsourcing services to the private sector; and
- concurrently reduced the level of FHS risk associated with our business activities.

Personal Data Security

C3. 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.

C4. 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.

C5. There were a number of protected personal data related incidents. These were not judged to be significant.

C6. Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the *Freedom of Information Act 2000* or may be subject to the limitations of other UK information legislation.

C7. Other protected personal data related incidents reported in 2012-13 are summarised in the table below. Incidents which do not fall within the criteria for reporting to the Information Commissioner's Office, but which are 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	1
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	2
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	None
IV	Unauthorised disclosure	None
V	Other	None

C8. The information contained in the table above only relates to personal data security for the core Department. The Department's NDPBs will report any personal data related incidents in their own statutory accounts.

Sickness Absence

C9. Figures at 31 March 2013 showed that average working days lost through sickness absence were 4.4; a 0.6 day reduction from the figures for the year ended March 2012.

Departmental Correspondence

C10. All Government departments and executive agencies have published targets for answering correspondence. The Department's target is to reply to 95% of all correspondence within 15 working days, the Cabinet Office minimum target is 95% within 20 working days.

C11. In 2012-13, 87% of replies were sent within the deadline. This is 15% percentage points higher than our performance in 2011-12. The volumes consist of:

- 38,251 'Treat Official' replies of which 36,553 (96%) sent within standard, and
- 13,627 Ministerial replies of which 8,430 (62%) sent within standard.

C12. A programme of work to improve all Department of State functions, including correspondence, is underway and further year-on-year improvements will be delivered between now and 2014-15.

C13. For Freedom of Information requests (FOIs):

- 82% of 1,438 FOIs were answered on time compared to 80% of 1,172 in the previous year;
- There has been a 23% increase in FOIs year on year;
- In the final quarter of 2012-13, the Department experienced a major increase in FOIs at 476; the highest quarter previous to that was quarter 1 of 2012, when the Department received 349 FOIs.

Communications, Publicity and Advertising

C14. Work to refocus the Department's approach to communications has continued in 2012-13. Our Communications Group is now positioned to deliver largely in-house activity, focusing principally on news and social media to inform and engage the outside world on what the Department is doing and why. This is very different from previous marketing-led strategies.

C15. We have curbed spending on all communications activity and brought the central costs of communication down, from £12 million in 2011-12 and now further reduced to under £1 million in 2012-13. Communications Group staff numbers, excluding the Public Communications Unit, have also reduced significantly, from 171 Full Time Equivalent posts at the outset of 2011-12 to 44 posts by 31 March 2013.

Payment Policy

C16. 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.

C17. During 2012-13, of valid invoices received from suppliers:

- 99.1% (2011-12: 99.1%) were paid within 30 calendar days of receipt;
- 95.8% (2011-12: 95.2%) were paid within 10 calendar days of receipt.

C18. One payment of £635.18 for the CWDC audit fee was made in line with the *Late Payment of Commercial Debts (Interest) Act 1998* as amended and supplemented by the *Late Payment of Commercial Debts Regulations 2002*. The NCTL made two payments totalling £142.63 under those provisions.

C19. The aggregate amount owed to trade creditors at 31 March 2013 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 0.14 days (2011-12: 0.10 days).

Complaints Policy

C20. The Department's complaint policy and guidance on how to make a complaint can be found at: https://www.gov.uk/government/organisations/department-for-education/about/complaints-procedure

C21. Guidance on how to complain about a maintained school, Academy or Free School and how the Department will consider your complaint can be found at: http://www.education.gov.uk/schools/leadership/schoolperformance/b00212240/making-complaint-school .

Complaints to the Parliamentary Ombudsman

C22. The Parliamentary and Health Service Ombudsman can look into complaints about a service provided by the NHS or a Government department, agency or other organisation acting on their behalf providing that the body falls within its jurisdiction and that it has been referred to the Ombudsman by a Member of Parliament.

C23. The Department, its EAs and its NDPBs are included within the Ombudsman's jurisdiction, but few cases arise and few 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 and Health Service Ombudsman.

Sponsorship

C24. 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. Sums totalling £374,000 were received from seven individuals by the department (acting in its capacity as an intermediary body), which were used to pay for distributing a copy of the King James Bible to all primary and secondary schools in England, to mark the 400th anniversary of the Bible's publication.

ANNEX D – ENVIRONMENTAL, SOCIAL AND COMMUNITY ISSUES

Relationship with Employees

D1. The Department worked with its trade unions, both formally and informally, and engaged with them to promote an open 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.

D2. The Department conducts a full people survey annually. The 2012-13 survey took place during October 2012 and the results were published in January 2013. The Department achieved a 92% response rate, which represented a 7% increase from the previous year. 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

D3. 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' ('One In, Two Out' from 1 January 2013)

D4. Between 1 January 2011 and 31 December 2012, a period covering the first four Statements of New Regulation (in which departments list all new regulations they have developed), the Department reduced regulatory costs to the business sector by £11.11 million per annum (equivalent annual net costs to business). Regulatory costs were reduced by a further £2.61 million per annum during the period 1 January 2013 and 30 June 2013, covered by the fifth Statement of New Regulation.

Impact Assessments

D5. The Department submitted 36 Impact Assessments to the Regulatory Policy Committee (RPC) for an opinion between January and August 2012, of which 83% were rated as being 'fit for purpose' ('green' or 'amber' rating) and 17% were issued with a 'red' rating. In 2011, the Department only submitted 7 impact assessments for an opinion, of which 86% were rated as 'fit-for-purpose'.

Micro-business Moratorium

D6. Of the 13 measures that were included in the Department's first five Statements of New Regulations, 12 have received an exemption from the Micro-Business Moratorium, mostly to ensure that micro-businesses are able to benefit from the removal of unnecessary burdens. One measure in relation to the collection of additional information from schools and PRUs did not require an exemption as there was no impact on micro-businesses.

Sunsetting Regulations

D7. All new regulations impacting significantly on the business sector must include a clause allowing for their review at five years and/or removal at seven years after coming into force, unless a case is made for their retention. The Department has no regulations in scope at this time.

The Red Tape Challenge

D8. The Red Tape Challenge (RTC) is a cross-Government initiative. It covers the private, voluntary and civil society sectors and its objective is to minimise the regulatory burden by improving or scrapping as many relevant regulations as possible. The Children's Services and Independent Schools theme appeared on the RTC website in October and November 2011. The Department is committed to implementing all remaining agreed measures, subject to Parliamentary timescales, by April 2014. For SEN regulations, the Department published new indicative draft regulations for the Children and Families Bill Committee, following the recommendations of the Lamb Inquiry's review of SEN and disability information. The Department will consult on these regulations by December 2013 and lay the revised versions by April 2014. Legislation on childcare and early years will, by October 2014, be improved and simplified as a result of reforms included in the Children and Families Bill.

Alternatives to Regulation

D9. The Analytical Review commissioned by the Secretary of State in 2012 has led to a range of economics based courses providing a curriculum to improve economic awareness in policy teams. The actions taken to address findings will help policy teams to be more aware of the possibility of alternative approaches, tools and methods.

D10. In addition, we fund the Centre for Understanding Behavioural Economics, which conducts research into the drivers of behaviour change to inform policy-making across the range of Department priorities.

Mainstreaming Sustainable Development

D11. 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 policy development and implementation. The Department works with the Department for the Environment, Food and Rural Affairs (DEFRA), the Department of Energy and Climate Change and the Department for International Development to balance its own interests with meeting cross-government, international and legal obligations.

D12. The Department's current Business Plan, covering the period 2012-15, explicitly commits it to 'assess and manage environmental, social and economic impacts and opportunities in our policy development and decision making'. The sustainable development unit focuses its resource on providing support for policies that have the greatest potential to implement sustainable development principles, raising standards and improving outcomes for children.

D13. 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.

D14. The Department makes specific help available on sustainability for schools through the Departmental website. For example, the Top Tips on Sustainability in Schools suggests practical ways for schools to become more sustainable, should they choose to, whilst at the same time saving money. This help complements the work of organisations, including the Sustainable Schools Alliance, to encourage the take up of sustainable development in schools.

D15. School energy bills currently average over £86,000 a year for secondary schools and £13,000 a year for primary schools. The Department has injected £8 million for schools through the Salix Finance energy efficiency loans scheme, which allows public sector bodies to apply for an interest free loan to finance up to 100% of the costs of energy saving projects. Officials are also working with energy services companies, who have the skills and expertise to identify and deliver ways that can help deliver significant energy use and cost savings for schools.

D16. The Department remains committed to ensuring that new schools reflect the best environmental practice. In May 2012, the Secretary of State announced that 261 schools would be rebuilt, or have their condition needs met, through the Priority School Building Programme. The school building designs aim to create simple and robust school buildings which are cost-effective and resource-efficient to run.

Progress on Greening Government Commitments

D17. The Department is fully committed to operating an efficient estate and reducing the environmental impact of its operations and their associated costs. This is the third year that the Department has reported non-financial and financial indicators of its sustainability performance in its ARA, following the HMT guidance, Public Sector Sustainability Reporting, published at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/198267/Government_guidance_for_sustainability_and_environmental_reporting.pdf .

The Department reports a full data set including its EAs and NDPBs. Sustainability data and delivery plans are also reported more frequently to DEFRA and the Cabinet Office.

D18. This section of the report is aligned to the Department's Greening Government Commitments (GGC) reporting. Therefore, from this year, data has been amended from 2009-10 through to 2012-13 to include CAFCASS. Note this does not include ATs.

D19. From 2012-13, the Department also reports the impact of its international business travel. This ensures greater transparency and supports the central Government requirement to offset emissions from ministerial and official air travel.

Targets and Summary of 2012-13 Performance

D20. Overall, the Department has continued to make strong progress towards meeting the GGC targets, while also reducing associated financial costs. Performance is set out in the tables on the following pages. Where the Department has already met a GGC target, further efficiencies will be sought if viable.

D21. The Department's sustainable operations delivery plans and targets are fully aligned to the GGC targets. Where the GGC framework has not set quantified targets for a specific area, the Department has defined its own aspirational target, including a total estate water reduction target and a target recycling rate. These are detailed in relevant paragraphs and in the table below.

Performance against key Greening Government 2015 targets: Greenhouse Gas (GHG) emission reductions

	Reduce GHG (scope 1, 2 & 3 gross) Emissions by 25%	Reduce Total Estate Water Consumption by 25%	Reduce Total Waste Generation by 25%
2012-13 performance v. 2009-10 baseline	(29%)	(30%)	(47%)

Direct financial benefits of the Greening Government programme

	Energy Use £000	UK Business Travel £000	Waste Disposal £000	Water Use £000	Total £000
2012-13 cost v. 2009-10	(1,102)	(5,640)	62	(51)	(6,730)
2012-13 cost v. 2010-11	(112)	(2,775)	94	(69)	(2,861)
2012-13 cost v. 2011-12	(211)	(2,614)	87	(37)	(2,776)

Greenhouse gas emissions

D22. The Department's 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
- reduce domestic business travel flights by 20% by 2015 from a 2009-10 baseline.

Greenhouse Gas Emissions Summary

		2009-10	2010-11	2011-12	2012-13
Non-financial indicators (tonnes CO_2e)	Total gross emissions for Scopes 1 & 2.	18,945	15,639	14,025	12,189
	Gross emissions attributable to Scope 3 official UK business travel	3,655	2,740	1,931	3,814
	Number of domestic air travel flights	727	818	370	507
Related energy consumption (kWh)	Electricity: non-renewable	29,102,688	25,450,626	23,359,912	19,704,190
	Electricity: renewable	-	5,046	19,716	16,052
	Gas	16,502,749	11,432,585	9,281,308	10,389,473
	Steam	2,334,000	934,000	402,000	279,120
Financial indicators (£000)	Expenditure on energy	3,594	2,604	2,704	2,492
	CRC licence expenditure (2010 onwards)	n/a	-	-	80
	Expenditure on accredited offsets (e.g. GCOF).	-	-	-	0.8
	Total expenditure on official UK business travel	10,163	7,298	7,137	4,523
	Expenditure on domestic air travel	21	29	8	19

D23. The Department has reduced its total in-scope GHG emissions through 2012-13, achieving a 29% reduction against 2009-10 levels. This is in addition to meeting the previous Administration's Sustainable Operations on the Government Estate (SOGE) carbon targets. The Department also exceeded the Prime Minister's target to reduce carbon emissions from offices by 10% over 12 months from May 2010, achieving a 21.5% reduction.

D24. The most significant aspects of Department's GHG emissions are from electricity use, particularly ICT, and gas boilers, and delivery plans have focused on these areas.

D25. Emissions reductions from energy use have largely been realised through low and no cost energy efficiency measures, estate rationalisation (by using space more efficiently and co-locating with other organisations), and by operating our remaining buildings even more efficiently.

D26. The core Department's electricity is purchased via the Government Procurement Service energy framework from renewable sources, and is therefore Climate Change Levy exempt.

D27. Although the Department has met the GGC GHG commitment, it is committed to continual improvement and delivery plans are regularly reviewed to identify further opportunities for cost-effective GHG reductions. This helps ensure that the Department's own operational emissions remain on track for meeting the targets set out in the *Climate Change Act 2008*.

D28. The Department 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.

D29. In 2012-13 the Department achieved the Carbon Saver Gold Standard, which provides independent assessment of the Department's commitment to carbon management in order to make year on year carbon reductions, and came third in Central Government in the Carbon Reduction Commitment (CRC) Energy

Efficiency Scheme performance league table.

Domestic Travel		2009-10	2010-11	2011-12	2012-13
	Car	2,873	2,127	1,375	2,609
	Rail	660	547	493	1,127
Non-financial	Taxi	29	25	13	11
indicators	Other (bus, tube, trams)	9	1	-	5
(tonnes CO_2e)	Domestic flights	84	41	49	61
		3,655	2,740	1,931	3,814

D30. The Department has worked hard to reduce the amount of business travel journeys and ensuring where travel is necessary this is undertaken by the most sustainable mode of transport. By replacing the need for journey, utilising ICT solutions for communications and meetings, the Department has been able to demonstrate that good environmental governance also results in cost saving and value for money. As a consequence, the number of domestic air travel flights has been reduced by 30%. The Department will continue to work to further reduce its domestic business travel, ensuring a modal shift to more sustainable modes of transport.

International Business Travel			2009-10	2010-11	2011-12	2012-13
Non-financial indicators (tonnes CO_2e)	International business travel	Flights	184	85	139	126
		Rail	0.4	0.4	0.8	0.6
Financial indicators (£000)	International business travel	Flights	64	30	84	129
		Rail	5	5	15	11

D31. From 2012-13, the Department has chosen to publish its GHG emissions from international business travel as part of its transparency commitment. Since 2009-10, the Department has significantly reduced its international travel, which is attributable to smarter working practices; spend controls and better use of ICT solutions.

Waste Management

D32. The Department's targets for waste management are:

- reduce the amount of waste generated by 25% from a 2009-10 baseline by 2015;
- cut paper use by 10% in 2011-12;
- implement a closed loop recycled paper service;
- ensure that redundant ICT equipment is reused (within Government, the public sector or wider society) or responsibly recycled; and
- recycle 85% of waste by 2015 (internal target).

D33. Closed loop system involves recycling confidential and non-confidential waste paper, and that very same paper having been recycled is supplied back to the Department at a lower cost than standard recycled paper supplies.

Waste Disposal Summary

Waste			2009-10	2010-11	2011-12	2012-13
Non-financial indicators (tonnes)	Total waste (minimum requirement)		2,080	2,996	2,109	1,102
	Hazardous waste	Total	51	25	40	NK
	Non-hazardous waste*	Landfill	321	211	229	231
		Total reused/ recycled	1,646	2,697	1,779	627
		Composted/Bio digestion	-	-	-	25
	Total ICT waste	Reused				56
		Recycled	9	13	19	24
		Incinerated/ energy from waste	66	37	27	140
	* Report if possible	Incinerated without energy recovery	18	13	14	-
	Paper procured	Total reams	40,404	44,511	27,176	53,356
Financial indicators (£000)	Total disposal cost (minimum requirement)		149	117	124	211
	Non-hazardous waste - Total disposal cost	Landfill	56	28	38	NK
		Reused/recycled	84	83	81	NK
		Composted	NK	NK	NK	NK
		Incinerated/ energy from waste	7	5	4	NK
	Paper procured	Total spend	107	121	78	128

D34. During 2012-13, the Department's waste performance has aligned with the GGC requirement, reporting a total waste reduction of 47%. The high historic figures were due to large amount of printed publications becoming obsolete and disposed of due to machinery of government changes. A review of the Department's magazine subscriptions also identified opportunities to cancel unnecessary subscriptions, and to switch to digital versions where possible.

D35. The Department has also achieved a recycling rate of 64%, which includes reused, recycled and composted materials. This is supported by a policy of redeploying equipment where possible instead of disposing, and reusing or recycling all redundant ICT equipment.

D36. The Department has been working with its facilities management contractor to improve waste and recycling services, data accuracy, and consistency in terms of office recycling facilities across our property portfolio. Further awareness campaigns will run throughout 2013-14 to further reduce waste arising and increase recycling rates.

D37. The Department adopted the cross-Government closed loop paper recycling and supply framework in the summer of 2012, signed up to the WRAP/DEFRA voluntary food waste agreement, and is now developing waste management plans to help maintain high recycling rates and further reduce waste impacts.

Finite Resource Consumption – Water

D38. 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 m^3 water consumption per FTE poor practice;
- $4m^3$ to $6m^3$ per FTE good practice;
- ≤$4m^3$ 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	2012-13
Non-financial indicators (m^3)	Water consumption	Office estate	77,928	75,233	61,969	56,967
		Office estate per FTE	7.6	7.5	8.2	7.7
		Whole estate	91,225	82,469	68,927	63,745
Financial indicators (£000)	Water supply & sewage costs		231	249	218	181

Percentage of offices meeting benchmarks

	2009-10 Performance	2012-13 Performance
Poor practice ≥6m^3 water consumption per FTE per annum	61%	64%
Good practice 4m^3 to 6m^3 per FTE per annum	28%	9%
Best practice ≤4m^3 per FTE per annum	11%	27%

D39. Total water consumption has been reduced by 30% since 2009-10, primarily through leak reduction work and adopting more water efficient behaviours, with particular focus on water use in tea points, canteens and toilets, and cooling plant.

D40. Water consumption per FTE has also reduced this year as the Department has sub-let more office space to other organisations, meaning essential water use (e.g. for cooling) is apportioned to a greater number of FTEs.

D41. Since 2009-10 the Department's office estate has changed considerably as a consequence of the ALB Reform and estate management efficiencies, resulting in a slight increase in the percentage of offices falling within the poor practice baseline. However, the mean consumption for these poor practice offices has been reduced by over 1.2m^3 per FTE per annum since 2009-10, and the number of offices falling within best practice benchmark has also been increased from 11% to 27% within the same period.

D42. The Department is keen to further increase the number of its own office buildings falling within good and best practice benchmarks. To support this, the Department ran a water efficiency campaign through 2012-13, conducted water audits at all key sites and is currently trialling a number of water efficiency devices, before introducing these across the estate.

Sustainable Procurement and Progress with Small and Medium Enterprises (SMEs)

D43. 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. 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. The Department has published an Environmental Procurement Policy with the aim of integrating sustainability factors into procurement activities and in November 2012 a SME Action Plan.

D44. Embedding sustainable procurement within the Department, the Business Plan sets out to increase spending with SMEs to contribute to the Government's aspiration that, by the end of the current Parliament, 25% of the value of its spend (direct or in supply chains) is spent with SMEs. The Department channels almost 30% of the overall procurement spend through SMEs. Good practice case studies of working with SMEs are available on the Department's website.

D45. Evidence of the Department's success with SMEs is contained in case studies available from http://www.education.gov.uk/aboutdfe/policiesandprocedures/procurement/a0077623/small-and-medium-enterprise-sme-procurement-action-plan

Transparency Commitments

D46. The Department also reports against a number of transparency commitments as part of Government Greening Commitments. Progress is summarised in the table below.

Summary Table of Transparency Commitments and Action Taken

Transparency Commitment	Action Taken
Climate Change Adaptation (CCA): steps taken to adapt the estate to a changing climate.	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 has compiled robust business continuity plans for coping with extreme weather conditions.
Biodiversity and Natural Environment: including action taken to promote, conserve and enhance biodiversity, including use of Biodiversity Action Plans or equivalent and the management of Sites of Special Scientific Interest.	The Department implements Biodiversity Action Plans where applicable across the estate.
Procurement of food and catering services: including action taken within the context of overarching priorities of value for money and streamlining procurement, to encourage the procurement of food that meets British or equivalent production standards where this does not lead to an overall increase in costs; and to reduce the environmental impacts of food and catering services and support a healthy balanced diet.	Food supplied is produced to UK or equivalent standards, dairy produce is Farm Assured and from UK sources, eggs are Lion Branded and are sourced from enriched conventional cages as a minimum. All fish is Marine Stewardship Council eco-labelled and 79% of tea and coffee is either Rainforest Alliance, part of an ethical trade initiative or Fairtrade. Menus are designed to reflect in-season products and purchased locally where feasible to do so.
Sustainable Construction: including the management of construction waste to best practice standards, the application of Building Research Establishment's Environmental Assessment Methodology (BREEAM), and the extent to which standards used at the London 2012 Games are being applied/exceeded.	The Department has not undertaken any construction in 2012-13, or major refurbishments requiring a BREEAM assessment. Where minor refurbishment work has been carried out complete Site Waste Management Plans are produced to detail all waste removed and recycled.
People: including for example, reporting on social and environmental assessment of office re-locations, and action taken to promote staff wellbeing. In addition to reporting on actions taken to promote staff wellbeing, staff volunteering is a priority within the work on Big Society, on which the Cabinet Office leads.	The Department has delivered events through the 'Green Champions Network' to engage staff to support the delivery of the GGC and encourage positive environmental behaviours both at and outside work. The Department encourages its employees to take up volunteering opportunities, as well as supporting employees' continual professional development. The Department pledges its support to many environmental campaigns, such as Climate Week and World Green Building Week. A number of related events attracted around 400, who received advice on water efficiency. The Department is currently undertaking Sustainability Impact Assessments for office relocations following the DfE Review. Appraisals are undertaken to establish the impacts on both staff and the environment with scenarios provided for each site, the appraisal looks at factors such as travel time, biodiversity and the natural environment and resource use based on increased occupancy.

Transparency Commitment	Action Taken
Environmental Management System (EMS): information on whether they have implemented an EMS such as ISO14001, EMAS or BS8555. This can include information on whether an accredited certified EMS has been applied to the whole estate, or in selected buildings only, or plans for obtaining a certified EMS in the future.	The Department operates an EMS modelled on ISO14001:2004.

Governance

D47. The Department continually monitors its sustainability performance with monthly reports produced as part of our management reporting regime. Internal sustainability reporting has a robust process for validation of data covering the commitments and also support the external reporting of the CRC Energy Efficiency Scheme.

D48. The Department continually monitors its sustainability performance with monthly reports produced as part of our management reporting regime. Quarterly dashboards are produced for senior management with performance updates against the GGC, highlighting risks and any mitigating actions required. Internal sustainability reporting has a robust process for validation of data covering the commitments and also support the external reporting of the CRC Energy Efficiency Scheme.

D49. Note on calculations: The vast majority of this 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.

Rural Proofing

D50. We are reforming the school funding system so that it is fairer, more transparent and encourages greater choice for pupils and parents.

D51. To help to pave the way for a new national funding formula, we are requiring local authorities to simplify the way in which they distribute funding to schools so that there is a greater focus on pupil numbers and pupil characteristics. This will mean that there is greater transparency and consistency in the way that funding is distributed.

D52. In order to ensure that authorities have enough flexibility to protect their small schools, the Department announced in June 2012 that local authorities will be able to apply a lump sum to all schools of up to £200,000. The requirement to apply the same lump sum to all schools reflects the Department's aims to move to a more transparent system. It means that there can be no ambiguity about how much one phase or type of school receives compared to another.

D53. We are aware however that the requirement to apply the same lump sums to all schools has caused some concerns for authorities with large numbers of small schools in rural areas. We are currently reviewing the arrangements for 2013-14 to consider whether any changes need to be made for 2014-15 in order to prevent unacceptable consequences for schools.

ANNEX E – DATA TABLES

E1. 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 HMT's guidance contained in *PES (2012) 17*.

E2. Tables 1 to 2 headings are based on the Supply Estimate functions.

E3. Table 1: Total Departmental spending – summarises expenditure on functions administered by the Department covering the periods from 2008-09 to 2012-13, with future projections out to 2014-15. It is analysed by Departmental Supply Estimates.

E4. Table 2: Estimates to Outturn - is complementary to Table 1 and shows 2012-13 Outturn figures against the original and final budgetary control totals.

E5. Table 3: Capital Employed - shows capital employed by the Department and also the net capital employed by its partner organisations to give a total figure for capital employed by the Group. The figures are taken from and follow the format of the Statement of Financial Position.

E6. Table 4: Administration Costs – provides a more detailed analysis of the administration costs of the Group.

E7. Table 5: Staff in Post – shows the staff numbers employed by the Group, analysed between the Department, its EAs and its NDPBs.

E8. The basis for producing Tables 6, 7 and 8 is outlined following the respective tables.

Table 1: Total Departmental spending – Resource

	2008-09 OUTTURN £000	2009-10 OUTTURN £000	2010-11 OUTTURN £000	2011-12 OUTTURN £000	2012-13 OUTTURN £000	2013-14 PLANS £000	2014-15 PLANS £000
Resource DEL							
Activities to Support all Functions	280,885	302,794	248,819	256,474	331,466	311,511	268,583
School Infrastructure and Funding of Education (Department)	5,347,908	5,240,173	3,405,476	922,233	227,585	188,885	168,878
Education Standards, Curriculum and Qualifications (Department)	758,987	815,167	577,592	262,251	901,267	338,864	360,703
Education Standards, Curriculum and Qualifications (NDPB) (net)	-	-	-	-	-	-	-
Children's Services and Departmental Strategy (Department)	1,747,673	2,227,835	2,498,012	2,389,140	2,581,569	435,355	497,113
Children's Services and Departmental Strategy (NDPB) (net)	129,829	132,673	106,781	132,613	131,156	127,276	127,306
Standards and Testing Agency	-	-	-	14,699	35,269	45,517	38,123
National College for Teaching and Leadership	920,479	1,009,990	976,049	763,291	524,700	516,454	467,771
Education Funding Agency - excluding Academies	37,471,695	39,683,106	41,514,036	40,337,314	37,154,258	38,154,047	39,314,811
Academies (net)	-	-	2,008,557	6,118,120	10,189,439	13,149,053	12,973,764
Total Resource DEL	**46,657,456**	**49,411,738**	**51,335,322**	**51,196,135**	**52,076,709**	**53,266,962**	**54,217,052**
Of which:							
Staff costs	342,727	395,231	357,688	362,171	8,283,340	9,788,159	9,497,938
Purchase of goods and services	725,141	1,203,567	724,619	448,219	2,893,788	3,631,977	3,476,412
Income from sales of goods and services	(67,599)	(29,863)	(6,470)	(6,143)	(380,643)	(6,005)	(2,643)
Current grants to local government (net)	35,980,166	37,625,186	42,944,370	38,922,858	35,303,040	33,049,798	34,226,441
Current grants to persons and non-profit bodies (net)	2,981,979	3,101,832	6,584,646	10,517,885	4,905,734	5,003,443	4,965,833
Rentals	0	(6,531)	9,604	19,042	40,599	10,633	10,111
Depreciation	20,744	26,554	34,776	31,894	830,960	841,646	1,051,586
Other resource	6,674,298	7,095,762	686,089	900,209	199,891	947,311	991,374
Resource AME							
Activities to Support all Functions (Department)	(8,775)	(22,544)	13,558	63,634	63,627	(16,385)	(3,899)
Activities to Support all Functions (NDPB)	(2,424)	(7,630)	(60,663)	-	(1,434)	-	-
Executive Agencies	(150)	11	(3,628)	-	(3,601)	-	-
Academies (net)	-	-	-	-	119,734	-	-
Total Resource AME	**(11,349)**	**(30,163)**	**(50,733)**	**63,634**	**178,326**	**(16,385)**	**(3,899)**
Of which:							
Staff costs	-	-	(39,065)	-	122,946	-	-
Depreciation	6,447	344	2,969	1,028	4,367	-	-
Take up of provisions	18,725	23,389	20,904	97,465	102,619	-	-
Release of provision	(36,521)	(53,896)	(35,538)	(34,859)	(51,606)	(16,385)	(3,899)
Other resource	-	-	(3)	-	-	-	-
Total Resource Budget	**46,646,107**	**49,381,575**	**50,537,077**	**51,259,769**	**52,255,035**	**53,250,577**	**54,213,153**
Of which:							
Depreciation[1]	27,191	26,898	37,745	32,922	835,327	841,646	1,051,586

Table 1: Total Departmental spending - Capital

	2008-09 OUTTURN £000	2009-10 OUTTURN £000	2010-11 OUTTURN £000	2011-12 OUTTURN £000	2012-13 OUTTURN £000	2013-14 PLANS £000	2014-15 PLANS £000
Capital DEL							
Activities to Support all Functions	37,396	60,198	23,895	13,155	(5,260)	14,970	14,990
School Infrastructure and Funding of Education (Department)	595,254	615,139	375,239	55,038	(10,643)	301,297	990,372
Education Standards, Curriculum and Qualifications (Department)	-	-	-	-	10,000	-	-
Education Standards, Curriculum and Qualifications (NDPB) (net)	12,500	58,395	99,532	28	-	-	-
Children's Services and Departmental Strategy (Department)	431,595	606,905	566,700	138,884	39,731	-	-
Children's Services and Departmental Strategy (NDPB) (net)	143	74	-	44	(1,173)	-	-
Departmental Unallocated Provision	-	-	-	-	-	580	560
Supported Borrowing (NDPB)	1,044,700	942,702	538,605	-	-	-	-
National College for Teaching and Leadership	913	1,038	2,182	1,580	455	665	690
Education Funding Agency - excluding Academies	3,401,225	5,157,404	5,411,265	4,820,839	3,919,475	3,356,134	3,253,134
Academies (net)	-	-	-	12,621	306,217	308,954	308,954
Total Capital DEL	**5,523,726**	**7,441,855**	**7,017,418**	**5,042,189**	**4,258,802**	**3,982,600**	**4,568,700**
Of which:							
Capital support for local government (net)	4,845,118	6,671,051	6,202,644	4,689,540	3,526,726	3,463,948	3,873,223
Capital grants to persons & non-profit bodies (net)	427,995	480,155	659,769	230,189	(106,033)	173,883	353,883
Capital grants to private sector companies (net)	-	-	-	-	(7,302)	-	-
Purchase of assets	43,966	73,199	23,629	14,855	2,226,555	344,189	341,034
Income from sales of assets	(409)	(3,041)	(259)	(37)	(26,405)	-	-
Net lending to the private sector and abroad	-	-	-	4,860	-	-	-
Other capital	207,056	220,491	131,635	102,782	(1,354,740)	-	-
Unallocated funds - capital	-	-	-	-	-	580	560
Total Capital Budget	**5,523,726**	**7,441,855**	**7,017,418**	**5,042,189**	**4,258,802**	**3,982,600**	**4,568,700**
Total Departmental spending	**52,142,642**	**56,796,532**	**57,516,750**	**56,301,958**	**56,513,837**	**56,391,531**	**57,730,267**
Of which:							
Total DEL	52,160,438	56,827,039	57,570,452	56,238,324	56,335,511	56,407,916	57,734,166
Total AME	(17,796)	(30,507)	(53,702)	66,634	178,326	(16,385)	(3,899)

Notes to the table

E9. Depreciation in the table above also includes amortisation and impairment.

E10. Pension schemes report under IAS 19, and the pension figures include cash payments made and contributions received, as well as certain non-cash items.

E11. 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.

E12. Total Departmental staff costs within the table above differs from those published elsewhere in the accounts, because staff costs above include early departure costs and lump sum payments that have been presented elsewhere in the accounts.

E13. Total Departmental provisions within the table differs from those published elsewhere in the accounts, because the balances in the tables include costs arising from an NDPB pension scheme, which have been disclosed in elsewhere in the accounts.

E14. The Apprenticeship budget moved to ESD in 2012-13 which explains the large increase in their outturn figure between 2011-12 and 2012-13 and similarly the decrease in IFD's budget. This budget has subsequently transferred to the EFA for 2013-14 and beyond.

E15. The expansion of the Academies Programme has resulted in outturn totalling £3.9 billion transferring from the EFA to Academies. This trend is set to continue into 2013-14.

Table 2: Estimates to Outturn, 2012-13

	2012-13 Original Budget		2012-13 Final Budget		2012-13 OUTTURN	
	Resource £000	Capital £000	Resource £000	Capital £000	Resource £000	Capital £000
Spending in Departmental Expenditure Limits (DEL)						
Voted expenditure	**52,451,983**	**4,563,000**	**52,383,624**	**4,501,600**	**52,076,709**	**4,258,802**
Of which:						
Activities to Support all Functions	329,603	15,000	327,899	15,000	331,466	(5,260)
School Infrastructure and Funding of Education (Department)	1,029,934	178,052	283,958	15,135	227,585	(10,643)
Education Standards, Curriculum and Qualifications (Department)	378,921	-	929,095	10,000	901,267	10,000
Children, Young People and Families (Department)	2,625,640	31,000	2,594,823	41,883	2,581,569	39,731
Children, Young People and Families (NDPB) (net)	127,302	-	129,082	-	131,156	(1,173)
Standards and Testing Agency	41,128	-	37,357	-	35,269	-
National College for Teaching and Leadership	599,224	-	570,231	949	524,700	455
Education Funding Agency - excluding Academies	37,870,126	4,029,989	37,169,181	4,087,679	37,154,258	3,919,475
Departmental Unallocated Provision	66,954	-	-	-	-	-
Academies (net)	9,383,151	308,959	10,341,998	330,954	10,189,439	306,217
Total Spending in DEL	**52,451,983**	**4,563,000**	**52,383,624**	**4,501,600**	**52,076,709**	**4,258,802**
Spending in Annually Managed Expenditure (AME)						
Voted expenditure	**(5,416)**	**-**	**1,070,968**	**-**	**178,326**	**-**
Of which:						
Activities to Support all Functions (Department)	(5,416)	-	73,718	-	63,627	-
Activities to Support all Functions (NDPB)	-	-	(450)	-	(1,434)	-
Executive Agencies	-	-	997,700	-	(3,601)	-
Academies (net)	-	-	-	-	119,734	-
Total Spending in AME	**(5,416)**	**-**	**1,070,968**	**-**	**178,326**	**-**
Total	**52,446,567**	**4,563,000**	**53,454,592**	**4,501,600**	**52,255,035**	**4,258,802**
Of which:						
Voted expenditure	52,446,567	4,563,000	53,454,592	4,501,600	52,255,035	4,258,802

Notes to the table

E16. The resource budget in AME for 2012-13 increased by approximately £1 billion from the original budget to cover the movement in the actuarial value of the ATs' element of the Local Government Pension Scheme.

Table 3: Capital Employed

Assets and liabilities on the Statement of Financial Position at end of year:

	2008-09 Outturn £000	2009-10 Outturn £000	2010-11 Outturn £000	2011-12 Outturn £000	2012-13 Outturn £000	2013-14 Plans £000	2014-15 Plans £000
Assets							
Non-current assets	**107,535**	**153,947**	**166,218**	**162,695**	**330,210**	**330,209**	**330,209**
Intangible Assets	42,102	67,864	64,505	56,921	35,383	35,383	35,383
Property, plant and equipment	43,527	59,001	74,732	73,996	283,788	283,788	283,788
of which:							
Land and buildings	*16,954*	*12,599*	*52,366*	*51,389*	*69,498*	*69,498*	*69,498*
Information Technology	*5,288*	*7,251*	*5,609*	*8,891*	*9,092*	*9,092*	*9,092*
Plant and Machinery	*109*	*81*	*57*	*44*	*45*	*45*	*45*
Fixtures and Fittings	*11,940*	*12,543*	*11,093*	*9,320*	*10,803*	*10,803*	*10,803*
Assets under Construction	*9,236*	*26,527*	*5,607*	*4,352*	*194,350*	*194,350*	*194,350*
Financial assets	21,906	21,367	21,289	26,109	5,104	5,103	5,103
Trade and other receivables due after more than 1 year	-	5,715	5,692	5,669	5,935	5,935	5,935
Current Assets	**146,049**	**53,673**	**63,930**	**79,342**	**202,951**	**199,044**	**199,044**
Liabilities							
Current liabilities	**(374,362)**	**(357,466)**	**(272,108)**	**(278,058)**	**(577,990)**	**(275,329)**	**(275,329)**
Provisions	**(48,725)**	**(25,837)**	**(36,427)**	**(92,037)**	**(187,418)**	**(16,385)**	**(3,899)**
Capital employed within the Department	**(169,503)**	**(175,683)**	**(78,387)**	**(128,058)**	**(232,247)**	**237,539**	**250,025**
NDPB net liabilities	(178,027)	(339,777)	(118,452)	(27,462)	(64,020)	(208,601)	(234,187)
AT net assets	-	-	-	-	24,972,598	26,978,941	26,978,941
Total capital employed in Group	**(347,530)**	**(515,460)**	**(196,839)**	**(155,520)**	**24,676,331**	**27,007,879**	**26,994,779**

Notes to the table

E17. The large increase in 2012-13 and future plans reflects the inclusion of AT net assets within the Group's accounts.

Table 4: Administration Costs

	2008-09 OUTTURN £000	2009-10 OUTTURN £000	2010-11 OUTTURN £000	2011-12 OUTTURN £000	2012-13 OUTTURN £000	2013-14 PLANS £000	2014-15 PLANS £000
Resource DEL							
Activities to Support all Functions	209,874	209,624	196,741	219,449	281,825	270,896	231,020
Education Standards, Curriculum and Qualifications (NDPB) (net)	76,477	75,963	63,556	19,254	-	-	-
Children's Services and Departmental Strategy (NDPB) (net)	24,254	25,242	15,467	16,828	14,904	12,846	12,846
Standards and Testing Agency	-	-	-	3,752	5,534	5,570	5,160
National College for Teaching and Leadership	65,352	64,332	53,694	46,406	26,014	25,790	22,851
Education Funding Agency - excluding Academies	16,496	20,303	80,463	68,246	59,330	64,854	62,754
Total administration budget	**392,453**	**395,464**	**409,921**	**373,935**	**387,607**	**379,956**	**334,631**
Of which:							
Staff costs	255,768	257,368	255,098	220,708	209,046	232,126	201,287
Purchase of goods and services	133,323	130,451	115,706	105,859	97,539	118,434	104,470
Income from sales of goods and services	(11,600)	(9,066)	(4,292)	(2,895)	(831)	(1,244)	(1,244)
Current grants to local government (net)	-	-	-	-	(32)	-	-
Current grants to persons and non-profit bodies (net)	-	-	14,069	13	-	-	-
Rentals	-	(72)	6,592	14,061	16,738	10,633	10,111
Depreciation	15,842	16,477	23,462	15,516	19,460	20,000	20,000
Other resource	(880)	306	(714)	20,673	45,687	7	7

Table 5: Staff Numbers

	31 March 2011	31 March 2012	31 March 2013
Department			
Civil service full-time equivalents	2,469	2,743	2,788
non-payroll staff including consultants, contingent labour, interim managers, specialist contractors & agency staff	1	50	65
	2,470	**2,793**	**2,853**
EAs			
Civil service full-time equivalents	-	86	1,181
non-payroll staff including consultants, contingent labour, interim managers, specialist contractors & agency staff	-	-	104
	-	**86**	**1,285**
NDPBs			
Civil service full-time equivalents	3,743	3,425	1,684
non-payroll staff including consultants, contingent labour, interim managers, specialist contractors & agency staff	319	222	96
	4,062	**3,647**	**1,780**
ATs			
Civil service full-time equivalents	-	-	239,435
non-payroll staff including consultants, contingent labour, interim managers, specialist contractors & agency staff	-	-	11,873
	-	**-**	**251,308**
	6,532	**6,526**	**257,226**

Notes to the table:

E18. 2011-12 staff numbers were restated to reflect the European school teachers who were excluded from the staff numbers last year.

E19. The large increase in 2012-13 reflects the inclusion of AT staff within the Group’s accounts.

Table 6: Total identifiable expenditure on services by country and region, 2008-09 to 2011-12

Department for Education	National Statistics			
	2008-09 Outturn £m	2009-10 Outturn £m	2010-11 Outturn £m	2011-12 Outturn £m
North East	604	685	731	851
North West	1,550	1,779	1,910	2,242
Yorkshire and the Humber	1,107	1,232	1,327	1,701
East Midlands	886	1,004	1,148	1,482
West Midlands	1,182	1,395	1,489	1,734
East	1,055	1,197	1,313	1,783
London	1,742	1,956	1,818	2,119
South East	1,684	1,832	1,928	2,652
South West	1,011	1,155	1,328	1,729
Total England	**10,821**	**12,234**	**12,993**	**16,291**
Scotland	13	20	37	44
Wales	136	195	239	289
Northern Ireland	1	7	8	5
UK identifiable expenditure	**10,971**	**12,456**	**13,276**	**16,630**
Outside UK	40	53	97	122
Total identifiable expenditure	**11,011**	**12,509**	**13,373**	**16,752**
Non-identifiable expenditure	-	-	-	-
Total expenditure on services	**11,011**	**12,509**	**13,373**	**16,752**

Table 7: Total identifiable expenditure on services by country and region, per head 2008-09 to 2011-12

Department for Education	2008-09 Outturn £ per head	2009-10 Outturn £ per head	2010-11 Outturn £ per head	2011-12 Outturn £ per head
North East	234	265	282	328
North West	222	254	272	318
Yorkshire and the Humber	213	236	252	322
East Midlands	200	225	255	327
West Midlands	215	252	267	309
East	184	207	226	304
London	219	244	224	258
South East	199	215	224	306
South West	195	221	252	326
Total England	**208**	**234**	**246**	**307**
Scotland	3	4	7	8
Wales	45	64	78	94
Northern Ireland	1	4	4	3
Total UK identifiable expenditure	**177**	**200**	**211**	**263**

E20. The functional analyses of spending in Table 8 below 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 2012 release. These are not the same as the strategic priorities shown elsewhere in the ARA.

Table 8: Total identifiable expenditure on services by function, country and region, for 2011-12
Data in this table are National Statistics

Department	North East £m	North West £m	Yorkshire and The Humber £m	East Midlands £m	West Midlands £m	East £m	London £m	South East £m	South West £m	England £m	Scotland £m	Wales £m	Northern Ireland £m	UK Identifiable expenditure £m	OUTSIDE UK £m	Total Identifiable expenditure £m	Not Identifiable £m	Total £m
Public order and safety																		
Law courts	6	17	13	11	14	14	20	21	13	130	-	-	-	130	-	130	-	130
Total public order and safety	6	17	13	11	14	14	20	21	13	130	-	-	-	130	-	130	-	130
Education																		
Pre-primary and primary education	3	7	6	5	6	6	9	9	6	56	-	-	-	56	-	56	-	56
of which: primary education	*1*	*1*	*2*	*1*	*1*	*1*	*2*	*1*	*1*	*11*	-	-	-	*11*	-	*11*	-	*11*
of which: under fives	*2*	*6*	*4*	*4*	*5*	*5*	*8*	*7*	*4*	*45*	-	-	-	*45*	-	*45*	-	*45*
Secondary education	557	1,515	1,133	967	1,200	1,250	1,749	1,855	1,128	11,354	2	1	1	11,358	-	11,358	-	11,358
Subsidiary services to education	6	17	12	11	13	14	19	20	12	125	-	-	-	125	-	125	-	125
R&D Education	1	1	1	1	1	1	1	2	1	11	-	-	-	11	0	11	-	11
Education n.e.c	87	233	177	157	189	201	284	293	180	1,801	1	5	-	1,806	2	1,809	-	1,809
Total education	654	1,773	1,331	1,140	1,409	1,472	2,063	2,179	1,326	13,347	3	6	1	13,357	2	13,359	-	13,359
Social protection																		
Sickness and disability	56	132	104	97	90	85	-	130	115	808	13	88	1	910	37	947	-	947
of which: incapacity, disability and injury benefits	*56*	*132*	*104*	*97*	*90*	*85*	-	*130*	*115*	*808*	*13*	*88*	*1*	*910*	*37*	*947*	-	*947*
Old age	107	253	201	186	173	163	3	250	220	1,555	24	169	3	1,751	71	1,822	-	1,822
of which: pensions	*107*	*253*	*201*	*186*	*173*	*163*	*3*	*250*	*220*	*1,555*	*24*	*169*	*3*	*1,751*	*71*	*1,822*	-	*1,822*
Survivors	17	40	32	29	27	26	-	39	35	244	4	27	-	275	11	286	-	286
of which: widow's benefits	*17*	*40*	*32*	*29*	*27*	*26*	-	*39*	*35*	*244*	*4*	*27*	-	*275*	*11*	*286*	-	*286*
Family and children	11	27	20	18	22	23	32	33	20	206	-	-	-	206	-	206	-	206
of which: family benefits, income support and tax credits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which: personal social services (family and children)	*11*	*27*	*20*	*18*	*22*	*23*	*32*	*33*	*20*	*206*	-	-	-	206	-	*206*	-	*206*
Social protection n.e.c.	-	-	-	-	-	-	-	-	-	2	-	-	-	2	-	2	-	2
Total social protection	190	452	357	330	312	297	35	452	389	2,815	41	283	5	3,143	120	3,263	-	3,263
TOTAL DEPARTMENT FOR EDUCATION	851	2,242	1,701	1,482	1,734	1,783	2,119	2,652	1,729	16,291	44	289	5	16,630	122	16,752	-	16,752

Notes to the tables

E21. Tables 6, 7 and 8 do not include payments to local authorities which for 2011-12 totalled around £37 billion.

E22. Tables 6, 7 and 8 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 HMT in October 2012 as part of the National Statistics release. The figures were taken from the HMT public spending database in summer 2012 and the regional distributions were completed by the following autumn. Therefore, the tables may not show the latest position and are not consistent with other tables in the ARA. Please note that totals may not sum due to rounding.

E23. 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.

E24. 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 2012*.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.

E25. 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.

THE CERTIFICATE OF THE COMPTROLLER & AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Department and of its Departmental Group for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2012. 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

The Department, through the Education Funding Agency (EFA), 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 EFA needs to obtain assurance that the funds provided are spent in line with those requirements. The system of assurance did not operate effectively over academies compliance with all aspects of *Managing Public Money*. Accordingly, I have been unable to confirm that, in all material respects, grants to academies conform to the authorities which govern them and have been applied for the purposes intended by Parliament.

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 2013 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.

Basis for qualified opinion on financial statements

As described in the accounting policies, the Department consolidated 2,823 academies using a series of data sources spanning different time frames. This has resulted in a level of misstatement and uncertainty that I consider to be material to these financial statements. I am unable to aggregate the individual errors due to overlapping causes of misstatement and levels of uncertainty.

In addition, the Department has recognised land and buildings in respect of academies of £25.1 billion in its Statement of Financial Position. The audit evidence available to me was limited in respect of this balance because the Department was unable to demonstrate that these all met the recognition criteria for a non-current asset under *IAS 16 Property, Plant and Equipment*.

Finally, the Department was unable to demonstrate the accuracy of the balances transferred on 1 April 2012 in respect of academies open at that date. I have therefore limited the scope of my opinion in this respect.

These qualifications relate to the group financial statements only and do not affect the Department's own financial statements.

Qualified opinion on financial statements

Except for the possible effects of the matters described in the basis for qualified opinion on financial statements paragraph, 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 2013 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.

Emphasis of matter: IAS 8 and comparative restatement

Without qualifying my opinion, I draw attention to the disclosures in note 1 to the financial statements. The Department applied the exemption from restatement permitted under *International Accounting Standard 8* on the grounds of impracticality.

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 sections of the annual report entitled Scope; Review of programmes and spending in the year; and How the Department operates for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which I report by exception

In respect solely of the matters referred to in the basis for qualified opinion paragraphs:

- adequate accounting records have not been kept; and

- I have not received all of the information and explanations I require for my audit

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

- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

My report on these financial statements is on pages 88 to 92.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

14 January 2014

THE REPORT OF THE COMPTROLLER & AUDITOR GENERAL TO THE HOUSE OF COMMONS

Introduction

1. The Department for Education (the Department) is responsible for education and children's services. The Department sets policy and provides revenue and capital funding to Local Authorities, academies, free schools, further education colleges, sixth form colleges and other education providers. The Education Funding Agency (EFA) is the Department's delivery agency for funding and compliance.

2. The purpose of this report is to explain my audit opinion and the reasons for the qualification, the progress made by the Department and, where appropriate, my recommendations for addressing these issues. I have also qualified my opinion on the EFA financial statements on the same bases as the Department as academies were consolidated into the EFA financial statements.

Explanation for Qualified Audit Opinion

Regularity of expenditure

3. I qualified my regularity opinion on the Departmental group accounts for 2011-12. This qualification was made on the basis that the Department's control framework was not sufficiently well designed to identify whether academies had complied with all aspects of HM Treasury's *Managing Public Money*.

4. Following my report on the Departmental group accounts for 2011-12, the EFA revised the framework to gain assurance that academies are applying the grant for the purposes intended. The most significant change was to require academies to obtain a regularity opinion from their auditors, addressed jointly to the academy and the EFA, thereby providing them with direct assurance over the regularity of transactions.

5. The Departmental group accounts are on a financial year to March, whereas academies' reporting periods are aligned to the academic year to August. Auditor assurance for regularity is therefore provided on a lagged basis, with the results of the academic year audit feeding into my consideration of the regularity for the financial year to the following March. Thus for the 2012-13 Departmental group accounts, I have considered the results of the August 2012 auditor opinions on regularity.

6. The auditor opinion on regularity is part of a wider assurance framework adopted by the Department from the start of the 2012-13 academic year that includes assessment of financial management and governance within new academies and intelligence-led investigations.

The assurance framework has not provided sufficient assurance for 2012-13

7. As part of my audit, I evaluated the scope of audit work underpinning the regularity opinions to August 2012 and assessed the impact of auditor qualifications and reports of potential irregular transactions. I found that:

- Auditors had generally conducted an appropriate level of audit for the risks identified covering regularity but excluding compliance with *Managing Public Money*;
- The scope of the audit work did not wholly cover the risk of non-compliance with *Managing Public Money* in relation to obtaining approval for special payments, particularly non-contractual severance and other payments; and
- There were 21 qualifications of the regularity opinion for August 2012 accounts relating to unapproved non-contractual severance payments. Of these, one firm accounted for 15 qualifications. There are no factors to suggest that regularity risk is confined to the academies audited by this firm.

8. For the period to August 2012, I therefore conclude that the scope of the audit work did not fully meet the assurance requirements of the Department. In particular, they did not receive sufficient assurance over compliance by academies with the *Managing Public Money* requirements to obtain HM Treasury approval for certain types of transaction. Accordingly, I have qualified my opinion on regularity.

9. There is no evidence of widespread or material levels of irregular spend. In the financial year, the EFA identified a total of 37 non-contractual severance payments requiring approval. The total value of the

payments requiring approval was £640,354. Under agreement with HM Treasury, the EFA conducted the initial assessment of the retrospective business cases and a sample of eight was presented to HM Treasury for its approval, which was duly granted except for two business cases that the EFA had already rejected. These two transactions totalling £99,550, both relating to extra-contractual severance payments, are therefore irregular.

The assurance framework is designed to provide sufficient assurance in the future

10. The late development of the new framework and publication of the guidance may have contributed to the limitation in the scope of the underlying audit work. In preparation for the August 2013 audits, the EFA has:

- strengthened its guidance further, and issued it on a timely basis;
- engaged directly with auditors and academies on the regularity requirements, providing guidance and training; and
- introduced delegated authorities, agreed with HM Treasury, for commitment to specified areas of expenditure including extra-contractual severance and other payments.

11. I welcome the positive steps that the Department and the EFA have taken to strengthen their guidance and engagement with the academy sector and their auditors.

12. I consider that the Department and EFA have designed a suitable assurance framework over regularity, consisting of the audit opinions from academies coupled with the other work the EFA undertakes to evaluate and investigate compliance. I therefore have not made any recommendations this year.

13. Nonetheless, as the number of open academies continues to grow rapidly, from 1664 academies at March 2012 to 2823 at March 2013, there will continue to be a challenge to the EFA on behalf of the Department to deliver robust, yet proportional assurance over the regularity of academies' expenditure. The EFA may not have sufficient capability and capacity to meet their objectives in an expanding academy sector.

Qualification of my opinion on the group financial statements

14. In 2012-13 the Department was required, for the first time, to consolidate academies into its group financial statements. Its annual report explains how the need for consolidation arose, and the challenges it faced. In particular, there were four specific challenges that have required the Department to develop an unprecedented approach to this complex consolidation.

- Academies produce accounts to 31 August each year, whereas the Department's year end is 31 March. Financial Reporting Standards would not normally allow consolidation of accounts where the year ends are more than three months apart. However, the Department did not believe that producing new accounts for each academy as at the end of March would produce a materially different position to using existing statutory accounts as at the end of August, and would prove an unnecessary administrative burden on the sector. The Department hypothesised that data for the year ending 31 August was a fair approximation for the equivalent to 31 March due to the limited financial complexity of individual trusts.
- The sector is growing rapidly, with an increase of 1,159 academies during this reporting period. This required the collection and validation of additional data where underlying accounts were not available, and led to careful consideration of the appropriateness of assumptions and the results of the proxy assumption above.
- Academies are charitable companies and report under a different accounting framework to the Departmental group. Identification of, and adjustment for, differences to present a consistent basis for reporting were key aspects of this methodology.
- Collecting so much data was a significant undertaking. Some data was subject to audit; other data needed to be centrally validated by the EFA. This was within the context of a growing sector where historic trend data did not exist.

15. To gain the evidence to support their hypothesis that August was a fair approximation for March, the Department asked a representative sample of established academies to submit audited returns for March 2013. In addition, they identified two specific areas where the approximation did not hold, and therefore sought national valuations for Local Government Pension Scheme liabilities and land and buildings as at March 2013. I am content that this exercise was conducted appropriately, and that the data is statistically valid. This showed that any two 12-month periods for an individual academy are materially similar in the context of the consolidation. However, there was a trend for increasing cash reserves across the sector, and capital expenditure profiles were less predictable. The continuing growth within the sector means that I cannot yet determine whether the proxy assumption will continue to hold for future financial periods.

16. In auditing the Department's application of this methodology I identified a number of errors and uncertainties. These included:

- A difference of £270 million between the grant paid by the EFA in the 2012-13 financial year, and the extrapolated revenue calculated from academy returns. This difference is a consequence of the methodology, and does not represent missing or misappropriated grant.

- Estimated or un-validated data for a residual number of academies who either did not submit a return or submitted a return too late for appropriate validation work to be undertaken. This related to 83 academy trusts, covering a total of £283 million grant. A further 40 trusts have been consolidated using "pre-opening accounts" at 31 August 2012, prior to operation.

- Gaps in the assurance obtained by the EFA from their validation exercise that it performed on all data submitted by academies. A large proportion of queries raised with academies by the EFA resulted in amendments to the submitted data. By the end of October when the EFA decided not to continue pursuing academies for responses, there were still 1,522 outstanding queries with those trusts.

- Under Companies law, an academy's first accounting period can be up to 18 months long to allow it to prepare financial statements to its chosen accounting reference date. As a result there are many short or long accounting periods within the August 2012 accounts returns. In order to match with the EFA funding, which is reported on a 12-month basis for these academies, the Department had to lengthen or shorten the reported data through extrapolation.

17. Therefore I concluded that there was a material level of error and uncertainty in the Departmental group accounts.

18. Whilst the Department has developed a process for presenting academy data to Parliament, providing new levels of transparency over their spend, this year's exercise may not be sustainable at current levels and there remain some challenges to overcoming the causes of qualification within this account.

Qualification of my opinion on the recognition of land and buildings

19. Academies are charitable companies, meaning they have to prepare their financial statements in accordance with the charities' accounting framework. One area of difference between this financial reporting framework and that of the Departmental group's relates to the recognition of land and building assets within the balance sheet. The information needed by the Department to determine the appropriate accounting treatment for these academies' assets was not included in the returns from academies. The Department has made an assumption that all land and buildings used by academies should be capitalised within the group balance sheet. This may not comply with HM Treasury's Financial Reporting Manual, for example where buildings are occupied on a short term lease.

20. The Department does not have robust data to demonstrate that this assumption is appropriate. As a result, I have a limitation of scope in my audit opinion as I cannot determine the extent of land and buildings assets that are erroneously capitalised in the consolidated balance sheet. I am concerned that the Department will not be able to resolve this issue for a number of years.

Qualification of my opinion on the opening balance sheet

21. All academies in existence on 1 April 2012 have been incorporated into these financial statements from that date. The Department has calculated these balances from the closing balances, making adjustments for in-year movements and conversions. I have qualified my opinion in respect of the opening balances, however, as the Department has not been able to reconcile these opening balances to the data reported to HM Treasury as part of the 2011-12 Whole of Government Accounts. In my view, I do not have

the evidence to conclude that these balances are correct, although I consider that the impact does not remain within closing balances that are drawn from validated academy returns. I do not expect this qualification to persist in future years as a result.

Weaknesses in the Department's strategic financial management

22. A primary objective of preparing this consolidation is to report to Parliament the financial activity of academies and to present a national balance sheet that feeds into the Office for National Statistics' National Accounts. The Statement of Parliamentary Supply shows how the monies voted by Parliament have been applied, including outturns against HM Treasury's "control totals". These are a series of spending limits HM Treasury use to manage and control public spending: academy outturn, rather than EFA grant, is scored against the control totals. This reflects HM Treasury's responsibility for reporting public sector activity.

23. Academies have been established with a different financial management regime to the Department. Academies have freedom to determine their spending profiles and to carry forward unspent grant, but the Department's spend is controlled on an annual basis within a Spending Review cycle. This results in an inherent set of risks within the parliamentary reporting process where the Department is accountable for activity over which it has no direct control. So, while the Department remained within its control totals for the 2012-13 financial year, there remain risks for the future financial reporting.

24. Furthermore, the consolidation exercise has demonstrated some key risks to the Departmental Accounting Officer's responsibility for stewardship of public funds and for financial management that will impact on the Department's ability to manage in-year resources and, make appropriate financial decisions, including accurate forecasting and resource requests. These issues are a result of the accountability structure established for the academies sector and do not reflect weaknesses in the financial management of the rest of the Departmental group. There are four areas of risk:

- **Financial reporting**: The Department did not know until December, almost nine months after the year end, whether or not it had remained within its control totals. The Department seek budget forecasts at the start of the year and then the accounts return at the end of the period from academies. However, it was unable to manage the in-year position of academies. The timeliness and quality of academy returns is therefore crucial to oversight and reporting. Under this regime, the Department will always be at risk of an unpredicted overspend if, for example, academies spend their reserves more quickly than forecast.

- **Resource planning**: The late delivery of accounts will affect the Department's ability to finalise its resource needs and, if necessary, seek additional, appropriate Supply cover within the Supplementary Estimates. For example, the Department cannot accurately predict its resource requirements for the 2013-14 financial year because of the uncertainty around capital spending within academies. Accurate forecasting by academies and notification of significant change to priorities and timings are essential to this process.

- **Strategic financial management**: Academies are currently building reserves: cash balances stood at £1.9 billion at 31 March 2013. The comparative data is not reliable, but extrapolation of the pilot exercise results suggests an estimated 12% increase in such reserves in the seven months since August 2012. Academies determine their priorities based on local needs and, under the financial management regime it has established, the Department has no influence over the use or size of those reserves. The Department has informed me that funding will remain linked to student numbers, and there are no plans to take account of reserves when allocating funding. Nevertheless, the Department does not have the requisite data to enable it to make strategic financial management decisions affecting the sector.

- **Financial oversight**: The Department's ability to oversee financial sustainability within the sector could also be compromised by the quality of data. The Department is developing analytical techniques to assess financial strength and to help predict financial risk, but this remains dependent on accuracy and timeliness of submissions from the academies.

25. The uncertainty and levels of misstatement within the income and expenditure also affects the interpretation of outturn data within the Statement of Parliamentary Supply. Transparency of academy spend has improved as a result of the accounts consolidation exercise, but there remains a high degree of uncertainty within the sector outturns reported within these accounts. For example, significant underspends

do not necessarily mean that the Department could have distributed additional funds or changed its priorities to divert funds elsewhere, as the cash sits within academies and is under their control. Likewise, the Department utilised the majority of its cash allocation, spending all but £360 million (0.6 per cent) of its £56.4 billion limit, the "net cash requirement". This does not therefore represent a failure by the Department to distribute funds.

Recommendations

26. I recommend that:

- The Department and the EFA should engage with HM Treasury to consider the long term sustainability of this approach to reporting financial performance in the academy sector. I cannot envisage the current approach allowing the Department to deliver accounts prior to the Summer Parliamentary Recess, although I expect the Department to bring forward the timetable incrementally in the next two years.

- Regarding the land and buildings recognition qualification, I recommend that the Department and EFA work with HM Treasury to seek a solution to identify the school estate and appropriate accounting at the Whole of Government Accounts level. I recognise that a centrally coordinated review of all land and building ownership and leasing arrangements would be inefficient and costly. Instead, I recommend that the Department seek to refine the data requirements from academies, and seek through HM Treasury to develop the guidance for local authorities and academies to ensure consistency and appropriateness of accounting.

- The Department, through EFA, should develop the accuracy of forecasting by academies. This should include the development of guidance and validation, including strengthening the approach to managing late or inaccurate reporting. The Department and EFA should also strengthen their analytical capability to maximise their use of the data provided by academies to monitor financial sustainability within the sector and to inform their resource requirements and financial forecasting.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

14 January 2014

CONSOLIDATED STATEMENT OF PARLIAMENTARY SUPPLY
for the year ended 31 March 2013

SUMMARY OF RESOURCE AND CAPITAL OUTTURN 2012-13

							2012-13	2011-12
	Estimate			Outturn				Outturn
	Voted £000	Non-Voted £000	Total £000	Voted £000	Non-Voted £000	Total £000	Voted Outturn compared with Estimate: saving/ (excess) £000	Total £000
Departmental Expenditure Limit								
- Resource	52,383,624	-	52,383,624	52,076,709	-	52,076,709	306,915	51,196,135
- Capital	4,501,600	-	4,501,600	4,258,802	-	4,258,802	242,798	5,042,189
Annually Managed Expenditure								
- Resource	1,070,968	-	1,070,968	178,326	-	178,326	892,642	63,634
- Capital	-	-	-	-	-	-	-	-
Total	**57,956,192**	**-**	**57,956,192**	**56,513,837**	**-**	**56,513,837**	**1,442,355**	**56,301,958**
Total Resources	**53,454,592**	**-**	**53,454,592**	**52,255,035**	**-**	**52,255,035**	**1,199,557**	**51,259,769**
Total Capital	**4,501,600**	**-**	**4,501,600**	**4,258,802**	**-**	**4,258,802**	**242,798**	**5,042,189**
Total	**57,956,192**	**-**	**57,956,192**	**56,513,837**	**-**	**56,513,837**	**1,442,355**	**56,301,958**

NET CASH REQUIREMENT

2012-13	Further analysis in note 4	2012-13	2011-12
Estimate £000	Outturn £000	Outturn compared with Estimate: saving/(excess) £000	Outturn £000
56,453,218	56,093,328	359,890	56,349,458

ADMINISTRATION COSTS

	2012-13		2011-12
Note	Estimate £000	Outturn £000	Outturn £000
3.2	407,346	387,607	373,935

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control. Explanation of variances between Estimate and Outturn are given in the Management Commentary.

The notes on pages 99 to 156 form part of these accounts.

CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE
for the year ended 31 March 2013

	Note	2012-13 Department £000	2012-13 Department & Agencies £000	2012-13 Group £000	2011-12 Department £000	2011-12 Department & Agencies £000	2011-12 Group £000
Administration costs							
Staff costs	7.1	135,878	203,780	209,046	130,468	132,819	220,708
Other administration costs	8	131,851	152,605	162,155	87,665	87,857	147,698
Operating income	10	(59,873)	(4,695)	(4,005)	(6,645)	(5,436)	(5,058)
Programme costs							
Staff costs	7.1	9,607	18,102	8,129,526	11,480	11,518	116,773
Programme costs	9	4,080,366	55,800,206	48,936,424	56,204,367	56,216,556	55,867,529
Operating Income	10	(3,146)	(28,738)	(1,444,821)	(40,464)	(41,744)	(68,214)
Net gain on conversion of AT non-LA schools:	29						
in-year conversions		-	-	(1,403,242)	-	-	-
pre-1 April 2012 conversions		-	-	(3,256,780)	-	-	-
Corporation Tax		2,915	2,915	3,061	-	-	55
Net operating costs		**4,297,598**	**56,144,175**	**51,331,364**	**56,386,871**	**56,401,570**	**56,279,491**
Total expenditure		4,360,617	56,177,608	57,440,212	56,433,980	56,448,750	56,352,763
Total income	10	(63,019)	(33,433)	(1,448,826)	(47,109)	(47,180)	(73,272)
Total gain	29	-	-	(4,660,022)	-	-	-
Net operating costs	3.1	**4,297,598**	**56,144,175**	**51,331,364**	**56,386,871**	**56,401,570**	**56,279,491**
Non-operating costs							
Net (gain)/loss on:							
transfer of function		(126,128)	(132,001)	-	-	-	-
conversion of AT LA schools:	29						
in-year conversions		-	-	(6,213,354)	-	-	-
pre-1 April 2012 conversions		-	-	(13,899,510)	-	-	-
Net Costs		**4,171,470**	**56,012,174**	**31,218,500**	**56,386,871**	**56,401,570**	**56,279,491**

OTHER COMPREHENSIVE NET EXPENDITURE

	2012-13 Department £000	2012-13 Department & Agencies £000	2012-13 Group £000	2011-12 Department £000	2011-12 Department & Agencies £000	2011-12 Group £000
Net (gain)/loss on:						
revaluation of property, plant and equipment	(3,179)	(3,179)	(125,446)	(301)	(301)	(319)
revaluation of intangible assets	(4,148)	(4,149)	(4,149)	(1,011)	(1,011)	(1,011)
fair value (gain)/loss on investments	-	-	(836)	-	-	-
actuarial (gain)/loss on defined benefit pension schemes	-	-	(19,263)	-	-	27,559
Total comprehensive expenditure	**4,164,143**	**56,004,846**	**31,068,806**	**56,385,559**	**56,400,258**	**56,305,720**

All income and expenditure reported in the Statements of Comprehensive Net Expenditure are derived from continuing operations.

The notes on pages 99 to 156 form part of these accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2013

	Note	2012-13 Department £000	2012-13 Department & Agencies £000	2012-13 Group £000	2011-12 Department £000	2011-12 Department & Agencies £000	2011-12 Group £000
NON-CURRENT ASSETS							
Property, plant and equipment	11	92,759	283,788	25,974,298	73,996	73,996	99,996
Intangible assets	12	34,922	35,383	37,391	56,921	56,921	58,827
Investments	14	-	-	55,580	-	-	-
Financial assets	15	5,104	5,104	511	26,109	26,109	5,461
Trade and other receivables	17	5,646	5,935	5,727	5,669	5,669	5,681
		138,431	**330,210**	**26,073,507**	**162,695**	**162,695**	**169,965**
CURRENT ASSETS							
Inventories	16	-	46	7,348	-	-	-
Trade and other receivables	17	11,866	52,701	460,793	44,381	45,660	122,325
Financial assets	15	2,813	2,813	47	83	83	46
Cash and cash equivalents	18	15,957	147,391	2,009,696	33,599	33,599	231,624
		30,636	**202,951**	**2,477,884**	**78,063**	**79,342**	**353,995**
Total assets		**169,067**	**533,161**	**28,551,391**	**240,758**	**242,037**	**523,960**
CURRENT LIABILITIES							
Trade and other payables	19	(391,680)	(577,990)	(1,556,613)	(273,811)	(278,058)	(400,108)
Provisions	21	(21,979)	(26,157)	(30,177)	(23,694)	(23,694)	(47,575)
		(413,659)	**(604,147)**	**(1,586,790)**	**(297,505)**	**(301,752)**	**(447,683)**
Total assets less current liabilities		**(244,592)**	**(70,986)**	**26,964,601**	**(56,747)**	**(59,715)**	**76,277**
NON-CURRENT LIABILITIES							
Other payables	20	-	-	(42,651)	-	-	(563)
Provisions	21	(161,261)	(161,261)	(163,552)	(68,343)	(68,343)	(83,267)
Pension deficits	22	-	-	(2,082,067)	-	-	(147,967)
		(161,261)	**(161,261)**	**(2,288,270)**	**(68,343)**	**(68,343)**	**(231,797)**
Assets less liabilities		**(405,853)**	**(232,247)**	**24,676,331**	**(125,090)**	**(128,058)**	**(155,520)**
TAXPAYERS' EQUITY							
General Fund		(427,564)	(253,959)	(440,975)	(145,176)	(148,144)	(176,913)
Revaluation Reserve		21,711	21,712	144,708	20,086	20,086	21,393
Charitable Fund		-	-	24,972,598	-	-	-
Total equity		**(405,853)**	**(232,247)**	**24,676,331**	**(125,090)**	**(128,058)**	**(155,520)**

Chris Wormald
Accounting Officer

10 January 2014

The notes on pages 99 to 156 form part of these accounts

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 March 2013

	2012-13 £000	2011-12 £000
Cash flows from operating activities		
Net operating cost	(51,331,364)	(56,279,491)
Adjustments for non-cash transactions	(3,458,111)	143,480
Increase in inventories	(3,900)	-
Increase in trade and other receivables	(64,583)	(15,524)
Less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure	-	(22,810)
Increase in trade and other payables	696,154	1,558
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	(107,469)	(36,583)
Use of provisions	(39,732)	(30,077)
Employers' pension contributions	(262,721)	(13,004)
Settlement of pension liabilities	-	(4,229)
Net cash outflow from operating activities	**(54,571,726)**	**(56,256,680)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(755,567)	(6,428)
Purchase of intangible assets	(5,046)	(8,429)
Purchase of investments	(14,293)	-
Proceeds on disposal of property, plant and equipment	14,302	1
Proceeds on disposal of intangible assets	-	-
Proceeds on disposal of investments	2,458	-
Loans advanced to other bodies	-	(4,903)
Repayments of loans from other bodies	4,949	43
Net cash outflow from investing activities	**(753,197)**	**(19,716)**
Cash flows from financing activities		
From the Consolidated Fund (Supply) – current year	56,006,851	56,383,000
From the Consolidated Fund (Supply) – prior year	-	22,810
MOG adjustment between QCDA and UKCES	-	(22)
Cash acquired on conversion of Academy Trust schools:		
In-year conversions	131,002	-
Pre-1 April 2012 conversions	924,258	-
Borrowings advanced	27,383	-
Capital element of payments in respect of finance leases and recognised PFI contracts	7,923	-
Net cash inflow from financing activities	**57,097,417**	**56,405,788**
Net (decrease)/increase in cash and cash equivalents before adjustment for receipts and payments to the Consolidated Fund	**1,772,494**	**129,392**
Payments of amounts due to the Consolidated Fund	(58)	(6)
Net (decrease)/increase in cash and cash equivalents after adjustment for receipts and payments to the Consolidated Fund	**1,772,436**	**129,386**
Cash and cash equivalents at the beginning of the year	**231,624**	**102,238**
Cash and cash equivalents at the end of the year	**2,004,060**	**231,624**

The notes on pages 99 to 156 form part of these accounts.

DEPARTMENT & AGENCIES STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
for the year ended 31 March 2013

	Note	General Fund £000	Revaluation Reserve £000	Taxpayers' Equity £000
Balance at 31 March 2011		**(99,254)**	**20,867**	**(78,387)**
Net Parliamentary Funding – drawn down		56,383,000	-	56,383,000
Supply receivable adjustment		(33,541)	-	(33,541)
CFERs payable to the Consolidated Fund	5	(2,787)	-	(2,787)
Comprehensive expenditure for the year		(56,401,570)	1,312	(56,400,258)
Non-cash Adjustments				
Auditor's remuneration	8	535	-	535
Movements in reserves				
Transfers between reserves		2,093	(2,093)	-
OGD asset transfers		3,380	-	3,380
Balance at 31 March 2012		**(148,144)**	**20,086**	**(128,058)**
Net Parliamentary Funding:				
– drawn down		56,006,851	-	56,006,851
– deemed		33,541	-	33,541
Supply receivable adjustment		(140,695)	-	(140,695)
CFERs payable to the Consolidated Fund	5	(60)	-	(60)
Comprehensive expenditure for the year		(56,012,174)	7,328	(56,004,846)
Non-cash Adjustments				
Auditor's remuneration	8	1,020	-	1,020
Movements in reserves				
Transfers between reserves		5,702	(5,702)	-
Balance at 31 March 2013		**(253,959)**	**21,712**	**(232,247)**

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

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

The notes on pages 99 to 156 form part of these accounts.

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
for the year ended 31 March 2013

	Note	General Fund £000	Revaluation Reserve £000	Charitable Fund £000	Taxpayers' Equity £000
Balance at 31 March 2011		**(219,550)**	**22,156**	**555**	**(196,839)**
Net Parliamentary Funding:					
– drawn down		56,383,000	-	-	56,383,000
– deemed		-	-	-	-
Supply receivable adjustment		(33,541)	-	-	(33,541)
CFERs payable to the Consolidated Fund	5	(2,787)	-	-	(2,787)
Comprehensive expenditure for the year		(56,306,495)	1,330	(555)	(56,305,720)
Non-cash Adjustments					
Auditor's remuneration	8	535	-	-	535
Movements in reserves					
Transfers between reserves		2,093	(2,093)	-	-
OGD asset transfers		(1)	-	-	(1)
Other General Fund movements		(167)	-	-	(167)
Balance at 31 March 2012		**(176,913)**	**21,393**	**-**	**(155,520)**
Net Parliamentary Funding:					
– drawn down		56,006,851	-	-	56,006,851
– deemed		33,541	-	-	33,541
Supply receivable adjustment		(140,695)	-	-	(140,695)
CFERs payable to the Consolidated Fund	5	(60)	-	-	(60)
Comprehensive expenditure for the year		(56,170,999)	129,595	24,971,762	(31,069,642)
Fair value gain on investments		-	-	836	836
Non-cash Adjustments					
Auditor's remuneration	8	1,020	-	-	1,020
Movements in reserves					
Transfers between reserves		6,280	(6,280)	-	-
Balance at 31 March 2013		**(440,975)**	**144,708**	**24,972,598**	**24,676,331**

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

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 Charitable Fund represents total assets less liabilities for the Group's ATs less unrealised revaluation adjustments to property, plant and equipment, and intangible assets (see notes 11 and 12).

The notes on pages 99 to 156 form part of these accounts.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

These accounts have been prepared in accordance with the 2012-13 *Government Financial Reporting Manual* (FReM) issued by HMT, as set out in a statutory Accounts Direction issued pursuant to section 5(2) of the *Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2012*. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Group for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Group for 2012-13 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 Group to prepare an additional primary statement. The Statement of Parliamentary Supply, and supporting notes, show outturn against Supply Estimate in terms of the Group's net resource requirement and the net cash requirement.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, investments and year end balances arising from the Group's membership of the Carbon Reduction Commitment Scheme.

1.2 Statement of Parliamentary Supply

The Statement of Parliamentary Supply (SoPS) is prepared to disclose the Group's outturn against the Supply Estimate voted by Parliament against each budgetary control limit. The statement analyses the net expenditure between resource and capital for both DEL and AME budget classifications and reports the Estimate and outturn for non-voted expenditure. To ensure that the Group is reporting its outturn on this basis, the accounting policy is that reported outturn in SoPS is only recorded when it leaves the group boundary. A reconciliation of the SoPS' outturn compared to that of the IFRS-based SoCNE is provided in note 3.1.

In keeping with the principles of group reporting, intra-group transactions involving ATs are eliminated. Due to the lack of coterminous year ends across the Group mentioned elsewhere in this document, transactions which could not be fully eliminated due to their timing are not included within the Consolidated Statement of Parliamentary Supply. In all other respects, the SoPS and supporting notes have been prepared in accordance with the FReM.

1.3 Basis of consolidation

These accounts present the consolidation of the Department, executive agencies and other bodies which fall within the Departmental boundary as defined by FReM and make up the "Group". Transactions between entities included in the consolidation are eliminated, to present the financial performance and financial position of the Group as a single economic entity.

The Department receives the authority to consolidate its EAs, NDPBs and ATs under the *Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2012*. The major change of the Departmental accounting boundary between the two years presented in these accounts came from the inclusion of ATs in the Department's 2012-13 Designation Order. A department's Designation Order sets out those bodies that are required to be included within a department's consolidated accounts, since all such bodies are judged to be public bodies.

Academy trusts have been classified by the Office of National Statistics as central government public sector bodies since 2004. ATs now fall within the Department's Designation Order and are included within the Departmental consolidation boundary. Due to the complexities of the consolidation (such as standardised data collection across all ATs) HMT provided the Department with an exemption from including ATs in their 2011-12 accounts.

1. ACCOUNTING POLICIES (continued)

1.3 Basis of consolidation (continued)

A list of all entities within the Departmental accounting boundary is given at note 27. Throughout these accounts ‘Department’ refers to the core Department whilst ‘Group’ refers to the single economic entity presented in these accounts; this consists of the Department, its EAs, NDPBs and ATs.

Consolidation of ATs
These accounts represent the first year that ATs have been included within the Departmental accounting boundary. All ATs with operational schools as at the year end (2,108 ATs operating 2,823 schools) have been included within the consolidation. ATs that have incorporated but do not have operational schools as at the year end (168 ATs and schools) have been excluded from the consolidation. Prior to their school opening ATs have no significant transactions for inclusion in these accounts. Pre-opening grants to non-operational newly incorporated ATs are recognised as grant expense in the Statement of Comprehensive Net Expenditure.

AT consolidation approach
In a departure from FReM all members of the Group do not have coterminous year ends. ATs have financial years ending on 31 August in line with their operational year. In contrast the Department, its EAs and NDPBs have 31 March as their year end. The Group has adopted a two-pronged approach to include ATs based on whether an AT prepared audited accounts to the previous 31 August.

- For those ATs that prepared audited accounts as at 31 August 2012 (1,449 ATs operating 1,779 schools) the Group has included the financial performance from those accounts as a representation of the twelve months to 31 March 2013. ATs submit consolidation returns as at 31 August that mirror their accounts.

- Newly incorporated operational ATs that, in accordance with the *Companies Act 2006* have not produced accounts to 31 August 2012, have submitted their results using the consolidation return from incorporation to 31 March 2013 (659 ATs operating 1,044 schools); which have been included within the consolidation.

All ATs are required to complete and submit a consolidation return to allow for their results to be included within the consolidation.

Consolidation adjustments
Some ATs produce accounts for fewer or greater than twelve months due to the date of incorporation and the limits on the length of a company’s first set of audited accounts. Companies are allowed by the *Companies Act 2006* to shorten or extend their first accounting period after incorporation to between six and 18 months. The flexibility of the initial accounting period is designed to allow companies to move the initial year end applied on incorporation to a more suitable date of the company’s activities. In the case of ATs the preferred date is 31 August to match their operational activities.

The results for those ATs reporting non-twelve month periods have been revised down or extrapolated up to align the reporting period length to the twelve months reported by the Group. Therefore, the results of ATs reporting long period accounts (more than twelve months) as at 31 August have been revised down to 12 months to match the Group’s period. ATs reporting short period accounts to 31 August have had their results extrapolated out to up to twelve months dependent upon the date their schools became operational.

Newly incorporated ATs reporting as at 31 March have not had their results adjusted since their reporting date (from incorporation to 31 March) already matches that of the Group.

The adjustment required to bring ATs’ reporting period into line with the Group is only concerned with normal operational transactions of an AT. Material one-off transactions (such as recognition of assets and liabilities at conversion) are excluded from the adjustment to prevent material distortions to the Group’s reported results.

The inclusion of ATs reporting to a date different from the Group’s year end has implications for the elimination of all intra-Group transactions, but once operational an AT’s transactions with the rest of the Group are broadly stable; the AT receives grants to support its activities largely based on pupil numbers.

1. ACCOUNTING POLICIES (continued)

1.3 Basis of consolidation (continued)

Accounting policy harmonisation adjustments
Where required, adjustments have been made to the ATs' accounts to align their accounting policies to those of the Group. The two most significant adjustments are to the recognition and valuation of land and building assets and defined benefit pension scheme valuations. The valuations of ATs' defined benefit scheme were adjusted to bring the valuation date and methodology into line with the Group; see note 1.20 for more details of the Group policy. All such consolidation adjustments have been applied consistently across all ATs.

Carrying values of ATs' land and building assets have been recalculated on a depreciated replacement cost basis to align the accounting policy to that of the Group. This adjustment does not represent a revaluation under the terms of the Group policy since the adjustment occurred prior to the assets' initial recognition in these accounts. Land and building assets will be revalued every five years from the anniversary of their initial recognition in accordance with the Group policy. See note 1.9 for more details about the property, plant and equipment accounting policy.

Restatement of comparatives
As agreed following discussions with HMT, the Group has not restated its 2012-13 comparatives. Instead, ATs that were operational as at 31 March 2012 are presented as 2012-13 acquisitions using absorption accounting techniques, even where they pre-date 1 April 2012. There is no restatement of prior year comparatives in the accounts due to ATs because the Department gained an exemption from HMT, on the grounds of impracticality under IAS8.

The Group believes that it has faithfully represented the commercial logic of the business combination, because the use of absorption accounting results in the full accumulated reserves position of the pre-April 2012 ATs being recognised in this year's accounts.

1.4 Business combinations

These accounts contain two aggregated business combinations: the recognition of all ATs with operational schools as at 31 March 2012 (1,403 ATs with 1,664 operational schools) and those ATs whose schools converted during the year.

All ATs that were operational as at 31 March 2012 have been included within these accounts as a single business combination dated 1 April 2012. Due to the duration of the academy schools programme this business combination includes reserves built up by ATs operational from April 1991 to 31 March 2012.

The conversion of schools to academy status, and therefore the incorporation of the companies that own and operate the academy schools, was on-going throughout the year. All conversions occurring during the year have been aggregated and presented as a second single business combination.

Under absorption accounting assets and liabilities brought into the Group are not revalued to fair value but are transferred at the Group's carrying value. Carrying value is after adjustments arising to align accounting policies within the Group (such as for land and buildings). The net assets or liabilities acquired by the Group through the business combinations, for nil consideration, are recognised either in operating income or in other comprehensive income.

Net assets and liabilities brought into the Group from other central government bodies (predominantly ex-local authority maintained schools) are recognised in non-operating costs to reflect the nil gain or loss to the public sector. Net assets and liabilities brought into the Group from outside the public sector (predominantly converted faith and foundation schools) are recognised in operating income to reflect the gain or loss to the public sector.

Note 29 has further details of both combinations and the net assets and liabilities brought into the Group.

1. ACCOUNTING POLICIES (continued)

1.4 Adoption of amendment to FReM

The following significant FReM changes took effect in 2012-13:

- Accounting for the Carbon Reduction Commitment Energy Efficiency Scheme – The Group is a mandated participant of the scheme. The Group recognises the emission as a current liability at year end and purchased allowances as an asset. They are measured initially at cost and then re-valued at fair value. Until there is evidence of an active market, scheme assets and/or liabilities in respect of allowances shall be measured at cost, as a proxy for fair value.
- Accounting boundaries – The Group has adopted the amended requirement to account for business combinations under common control as either transfers by merger or transfers by absorption. The Group has accounted for new combinations of its EAs and NDPBs as transfers by absorption. The carrying value of the assets and liabilities of the functions were not adjusted to fair value on transfer. There was no recognition of goodwill and no restatement of comparatives in the annual accounts. The net carrying values of assets or liabilities transferred were recorded as a non-operating gain or loss from the transfer of function within non-operating cost. Revaluation Reserves were transferred in full.
- Accounting boundaries – The Group adopted the amended requirement of accounting for loans, Public Dividend Capital and investments outside the Group. Where the Group has any formal investment in another public sector entity that does not meet the criteria for consolidation, it will be reported under the requirements of IAS39 in full. The option has had no impact on the Group's accounts as it does not hold such investments.

1.5 Early adoption

The Group has chosen to early adopt the revised IAS19 Employee Benefits (IAS 19) to account for one of the Group's pension schemes. The majority of ATs are members of the Local Government Pension Scheme for non-teaching staff; which as a funded multi-employer defined benefit scheme falls within the scope of IAS 19.

The main impact of the standard's revisions on the Group is restricted to the rate of return assumptions underpinning the closing scheme asset valuation. In the previous version of the standard reporting entities were required to apply a market based return to the scheme's assets. Rates of return in the revised version are based on rates received on the portfolio of assets held by the scheme.

The other main change involved the removal of the corridor approach to valuing a scheme's surplus or deficit. The use of the corridor approach has never been allowed under FReM, so the change did not impact the Group.

While early adoption was permitted by IAS 19 it has not been formally adopted by the 2012-13 FReM. The Group decided to early adopt the revised IAS 19 as a pragmatic approach to valuing its exposure to the LGPS scheme. If the Group had not early adopted the revised standard this year the Group would have incurred disproportionate costs in applying different valuation methods for the 2012-13 and 2013-14 accounts.

The early adoption in 2012-13 has not been applied to the Group's exposure to the LGPS through its CAFCASS operations. The revised IAS 19 will be applied to the CAFCASS valuation in 2013-14. The impact of not early adopting the revised IAS 19 has been quantified in note 22.

The early adoption has been agreed with HMT.

1. ACCOUNTING POLICIES (continued)

1.6 IFRSs in issue but not yet effective

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

Standard	Effective	FReM Application	Impact
IAS 1 Presentation of Financial Statements (Other Comprehensive income (OCI))	Accounting periods commencing on or after 1 July 2012.	2013-14	IAS 1 has been amended to develop a more consistent basis for identifying where an item should be presented in OCI by requiring items of OCI to be grouped on the basis of whether they might at some point be re-classified from OCI to profit.
IAS 12 Income Taxes (Amendment)	Accounting periods commencing on or after 1 July 2012.	Subject to consultation	The standard requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount through use or sale.
IAS 16 Property, Plant and Equipment	Accounting periods commencing on or after 1 January 2013.	2013-14	The amended standard states that the classification of servicing equipment (spare parts, service and stand by equipment) is recognised under IAS 16 when they meet the definition of property, plant or equipment. They are otherwise classified as inventory under *IAS 2 Inventories*.
IAS 27 Separate Financial Statements	Accounting periods commencing on or after 1 January 2013.	Subject to consultation	The revised 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*.
IAS 28 Investments in Associates and Joint Ventures	Accounting periods commencing on or after 1 January 2013.	Subject to consultation	The standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.
IAS 32 Financial Instruments: Presentations	Accounting periods commencing on or after 1 January 2013.	2013-14	The standard identifies the tax effect of distribution to holders of equity instruments.
IFRS 9 Financial Instruments	Accounting periods commencing on or after 1 January 2015.	Subject to consultation	The standard introduces new requirements that address three areas; the classification and measurement of financial instruments; the calculation and disclosure of financial assets impairments and further information on hedge accounting principles and hedging relationships.

1. ACCOUNTING POLICIES (continued)

1.6 IFRSs in issue but not yet effective (continued)

Standard	Effective	FReM Application	Impact
IFRS 10 Consolidated Financial Statements	Accounting periods commencing on or after 1 January 2013.	Subject to consultation	The standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements.
IFRS 11 Joint Arrangements	Accounting periods commencing on or after 1 January 2013.	Subject to consultation	The standard 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	Accounting periods commencing on or after 1 January 2013.	Subject to consultation	The standard 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	Accounting periods commencing on or after 1 January 2013.	Subject to consultation	The standard replaces the guidance on fair value measurement in existing IFRSs with a single standard. This standard defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.
IAS19 Employee Benefits	Accounting periods commencing on or after 1 April 2013.	2013-14	The revised standard requires termination benefits to be recognised at the earlier of: • When the offer cannot be withdrawn • When the related restructuring costs are recognised
FReM Chapter 3 Parliamentary Accountability: Improving Relevance and Clarity in Central Government Financial Reporting – Phase 1	Financial year 2013-14	2013-14	Proposal on a number of changes to FReM Chapter 3 Parliamentary Accountability which include: • Introduction of a set of accounting policies for Statement of Parliamentary Supply (SoPS) • Addition of a section to explain principles that make up SoPS, bringing together all the notes to explain the differences between SoPS and the accounts.

1. ACCOUNTING POLICIES (continued)

1.7 Areas of judgement, estimation and uncertainty

The preparation of these accounts requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These 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 inclusion of ATs' results, provisions, impairment and pensions cost and valuation.

Management have made judgements regarding how ATs are consolidated into these accounts and how to reflect the economic position of the Group for the period covered by these accounts. The most significant judgement concerns the lack of coterminous year ends; and how to include ATs whose own accounts are produced to 31 August. This issue does not affect the population of ATs reporting as at 31 March since their reporting period end matches that of the Group, 31 March.

The Group has based its use of ATs' accounts to 31 August, and has apportioned ATs' long and short period accounts, on the assumption an AT's financial results for any one month are reasonably constant and can be used as a proxy for the Group's financial year. The Group has validated this assumption through a pilot study comparing 80 ATs' financial results for the year ending 31 August 2012 to those same ATs' financial results for the year ending 31 March 2013. The pilot study showed a £1.2bn (5%) difference between the financial results for each twelve month period. The Group has therefore judged that ATs' financial results for the year ending 31 August 2012 are a reasonable proxy for the twelve months ending 31 March 2013.

The pilot study supported the judgement that once operational, and after adjusting for the initial recognition of conversion assets and liabilities, an AT's reported results do not differ materially between twelve month periods ending on 31 August or 31 March. This judgement supports the assumption that ATs' grant income from the Department is broadly flat across academic funding years.

The second significant adjustment made to ATs' reported results was to recognise in all instances ATs' land and building assets irrespective of what the ATs' recognised in their own accounts. In accordance with the accounting framework adopted by ATs not all land and building assets utilised in their operations are recognised by ATs. However, the Group framework (FReM) applies different criteria to the recognition (and valuation) of land and building assets.

Accordingly, management decided to recognise all ATs' land and building assets to reflect the commercial reality that all academy schools operate from buildings; and the omission of such buildings from the Group's statement of financial position would significantly understate the assets controlled by the Group. Therefore, the Group commissioned consistent valuations for all ATs' land and building assets that are in compliance with the Group's accounting policy for property, plant and equipment.

1.8 Transfer of functions

As part of the Arms' Length Body reform programme, the Group undertook some significant reorganisation. The Group closed/abolished existing EAs and NDPBs and created new EAs and NDPBs. Note 27 has more information on the specific changes.

The Group has accounted for these transfers of functions using absorption accounting as per FReM 4.2.22. The Group did not adjust the carrying value of the assets and liabilities of the functions to fair value on consolidation. The Group has neither recognised goodwill nor restated comparatives in the accounts. The Group recorded net asset carrying values as a net operating gain from the transfer of function through net expenditure.

1. ACCOUNTING POLICIES (continued)

1.9 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 grouped together and recorded as bulk assets. The asset value on capitalisation is measured at cost plus all direct costs, such as installation, attributable to bringing them into working condition and location.

Land and buildings are measured initially at cost and are restated to fair value (depreciated replacement cost) using external professional valuations in accordance with *IAS 16 Property, Plant and Equipment* every five years, and in the intervening years by use of appropriate indices supplied by ONS. The Group has stated other property, plant and equipment at existing use value using appropriate indices published by the ONS. Some assets are of short life and of low value and have used depreciated historical cost as a proxy for fair value.

In the course of normal business, the Group may acquire sites to be used ultimately by the Group to operate as academy schools. In such projects the Group will fund all the required construction works and associated professional services. The development costs of the sites capitalised as assets under construction may include internal staff costs where the costs can be reliably measured and relate wholly to a specific site. These pre-opening sites will be held for the shortest possible period as assets under construction, transferring to the AT prior to their school opening at a value equivalent to the carrying value of the asset, and for nil consideration. On opening of the Group's school the assets previously classified as assets under construction will be reclassified as land and buildings and depreciation will begin.

The Group may also fund elements of the Priority Schools Building programme (PSBP). In this case, the Group is not expected to fund the purchase of any site but instead procures and funds all the required construction works and associated professional services.

For consistency these assets types (Group and non-Group PSBP assets) are classified as non-current assets during the period that the Group holds their significant risks and rewards and manages the associated programmes. Should there be any indication that the transfer will not go ahead then this is treated as an indicator of potential impairment. When the school receiving the PSBP funded asset assumes the asset's significant risks and rewards, the asset is derecognised and a charge recognised in the Consolidated Statement of Comprehensive Net Expenditure.

In the unlikely situation where circumstances existing prior to the year-end indicate that assets cannot be opened as a Group school, and will have to be sold to the open market, then an asset will be recognised and treated under *IFRS 5 Assets held for sale and discontinued operations*. In that case, any difference between carrying value and fair value would be recognised as an in-year impairment and the asset separately presented.

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

1.10 Depreciation

Depreciation is provided at rates calculated to write off the valuation of buildings and other property, plant and equipment by equal instalments over their estimated useful lives. Land and assets under construction are not depreciated.

1. ACCOUNTING POLICIES (continued)

1.10 Depreciation (continued)

Asset lives are in the following ranges:

- Freehold Buildings 50 - 60 years
- Leasehold Buildings 50 years or the lease term, whichever is shorter
- Leasehold Improvements 50 years or the lease term, whichever is shorter
- Motor Vehicles 3 – 7 years
- Information Technology 3 - 7 years
- Plant and Machinery 3 - 10 years
- Furniture & Fittings 5 - 10 years

1.11 Intangible assets

Intangible assets are initially valued at cost and then re-valued to existing use through indices supplied by the ONS. Assets are capitalised as intangible assets where expenditure of £2,500 or more is incurred. Assets are amortised over their estimated useful economic lives. Assets under construction are not amortised but are assessed for impairment annually.

Asset lives are in the following ranges:

- Software licences 2 - 5 years or the licence period, whichever is shorter
- Developed software 5 years
- Teachers' TV 2 - 6 years
- Non-software licences 3 years
- Other 3 - 5 years

1.12 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 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 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 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 disposal proceeds with the carrying amount and are recognised in the Statement of Comprehensive Net Expenditure.

All non-current assets are reviewed for impairment if circumstances indicate the carrying amount may not be recoverable. 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. ACCOUNTING POLICIES (continued)

1.13 Inventory

Inventory is carried at the lower of cost or net realisable value.

1.14 Financial instruments

The Group adopts *IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement*. The Group does not have any complex financial instruments. Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument. Embedded derivatives are recognised if separable from the host contract.

1.14.1 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 loans. The Group determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable costs. Presently, the Group does not have any financial assets that need to be classified as financial assets at fair value through profit or loss, neither does it have cash equivalents or derivative financial instruments.

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

Available-for-sale assets
The Group holds investments which are classified as available for sale and are carried at fair value. Fair value is calculated as the closing bid price as at the year end. Movements in the fair value are recognised in the Statement of Comprehensive Net Expenditure.

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 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.

Loans
Loans and receivables comprise loans within and external to the Group. The loans are not quoted on any active market and are carried at amortised cost using the effective interest method. Appropriate allowances (provisions/write-offs) for estimated irrecoverable amounts (bad debts) are recognised in the 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. The Group 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 equivalent.

1.14.2 Financial liabilities

Financial liabilities are classified as financial liabilities measured at amortised cost. Financial liabilities include trade and other payables, loans and accruals. The Group does not currently have financial liabilities classified as fair value through profit or loss; neither does it have derivative financial instruments. The Group determines the classification of its financial liabilities at initial recognition.

1. ACCOUNTING POLICIES (continued)

1.14 Financial instruments (continued)

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.

Loans
Loans are interest bearing and stated at their face value on initial recognition. Subsequently, they are measured at amortised cost using the effective interest method.

1.15 Research and development

Research expenditure is reported in the Statement of Comprehensive Net Expenditure in the year in which it is incurred. Development expenditure is also recognised in the 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.

1.16 Operating income

Operating income is income which relates directly to the operating activities of the Group.

Operating income consists of two broad types:

- Departmental income as authorised in the Supply Estimate (such as general administration receipts and income from other departments), and income to the Consolidated Fund that HMT has agreed should be treated as operating income; and
- Income generated by ATs in the course of their activities in addition to funding received from the Department and its EAs; which can encompass fundraising income, hire of facilities and sponsorship income.

Income is stated net of recoverable VAT.

1.17 Administration and programme expenditure

The 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 HMT in its *Consolidated Budgeting Guidance*.

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

Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Group, except for the staff costs associated with European Schools Teachers and CAFCASS front line staff; which relate directly to the front line delivery of specific programmes. However, the Group has received some exemptions from HMT to treat the following as programme costs: all academies spend and staff costs associated with ATs and e-Channels, National Pupil database and research costs. As a result of the exemption to costs associated with ATs, the spend is excluded from the Administration Budget regime.

1.18 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. ACCOUNTING POLICIES (continued)

1.19 Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases. Operating leases are charged to the Statement of Comprehensive Net Expenditure as expenditure is incurred.

1.20 Pensions

The Group has adopted IAS *19 Employee Benefits* (IAS 19) to account for all of its pension schemes.

Accordingly for funded defined benefit schemes the Group 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 Group has a legal or constructive obligation to make good the deficit in the scheme. The pension scheme surplus (to the extent that it is considered recoverable) or deficit is recognised in full on the face of the Statement of Financial Position. Actuarial gains/losses from the scheme are recognised in reserves.

Where the Group makes contributions to defined contribution and unfunded defined benefit pension schemes (which do not have underlying assets and liabilities) the Group recognises contributions payable in the Statement of Comprehensive Net Expenditure.

Further details of the pension schemes are available in notes 7 and 22.

1.21 Early departure costs

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

The exit costs of staff in the EAs are borne and managed centrally by the Department whilst the NDPBs are responsible for managing their staff exit costs programmes.

1.22 Grants

Grant Financing and Grant in Aid
Financing to the Department's EAs and NDPBs through financing and Grant in Aid payments are reported on a cash basis in the period in which payments are made. All grant financing and Grant in Aid as well as any intra-group grants between the consolidated bodies are eliminated within the Group.

Grants payable
The majority of grants made by the Group 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 Statement of Comprehensive Net Expenditure and shown as a liability on the Statement of Financial Position.

Grants paid to local authorities and programme providers remaining unspent at the year-end may be retained to fund future activity. The Group does not recognise a prepayment except where there are specific clawback provisions. These include:

- Initial Teacher Training grants where grants are allocated based on provisional trainee numbers and adjusted when actual trainee numbers are known. Wherever possible adjustments are made within the financial year, or otherwise over-funding is recognised as a receivable at the end of the financial year and recovered during the following financial year.

1. ACCOUNTING POLICIES (continued)

1.22 Grants (continued)

- Time bound capital grants where a number of capital grants are subject to time constraints. Devolved formula capital for maintained schools has to be spent within a three year period. Other capital grants to local authorities have to be spent by the end of August following the end of the financial year. Profiled capital grants to ATs and capital maintenance grants to voluntary aided schools have a one year spending period.
- The Group is able recover funds if grant recipients have not spent the capital funding within the time limit specified. Where providers have further time following the end of the financial year to spend grant money, the existence of any future economic benefit cannot be deemed probable at the year end date; neither can its extent be measured reliably. The right of clawback does not therefore give rise to an asset eligible for recognition as defined by the *IASB Framework for the Preparation and Presentation of Financial Statements*. Any related receipts are therefore offset against grant expenditure as they are received

1.23 Provisions

The Group makes provision in the accounts where the following criteria are met in accordance with *IAS 37: Provisions, Contingent Liabilities and Contingent Assets.* The criteria are as follows:

- 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 provision's value is discounted when the time value of money is considered material. Changes in the discount rate applied will be recognised in the year in which the change occurred. Comparative figures are not adjusted as this constitutes change in accounting estimate.

1.24 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the Group also discloses certain other contingent liabilities subject to Parliamentary reporting; which is to comply with Parliamentary reporting and accountability requirements in accordance with the guidance contained in *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.

1.25 Value added tax

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

1.26 Corporation tax

The Department, its EAs and NDPBs are exempt from corporation tax

The Group's ATs are considered to pass the tests set out in paragraph 1 Schedule 6 of the *Finance Act 2010* and therefore meet the definition of charitable companies for UK corporation tax purposes. Accordingly, ATs are potentially exempt from taxation in respect of income or capital gains received within categories covered by chapter 3 part 11 of the *Corporation Tax Act 2010* or Section 256 of the *Taxation of Chargeable Gains Act 1992*, to the extent that such income or gains are applied exclusively to charitable purposes.

However, the Group recognises low levels of corporation tax arising from the small number of trading subsidiaries held by ATs that fall outside of paragraph 1 Schedule 6 above.

1. ACCOUNTING POLICIES (continued)

1.27 Shared service re-charges

The Department provides a number of corporate functions to its EAs. These include HR, IT and Finance functions (with the exception of the EFA who have their own finance team). The Department has notionally re-charged these costs to the EAs in proportion to their usage of these services. The re-charges are eliminated on consolidation.

2. NET OUTTURN

2.1 Analysis of net resource outturn by section

	Outturn							Estimate		2012-13	2011-12 Outturn (Restated)
	Administration			Programme							
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000	Total £000	Net Total £000	Net total compared to Estimate £000	Net total compared to Estimate, adjusted for virements £000	Total £000
Spending in Departmental Expenditure Limits (DEL)											
Voted expenditure											
Activities to Support all Functions	285,625	(3,800)	281,825	49,767	(126)	49,641	331,466	327,899	(3,567)	-	256,474
School Infrastructure and Funding of Education	-	-	-	229,205	(1,620)	227,585	227,585	283,958	56,373	56,373	922,233
Education Standards, Curriculum and Qualifications	-	-	-	901,737	(470)	901,267	901,267	929,095	27,828	22,187	262,251
Children, Young People and Families:											
Department	-	-	-	2,582,498	(929)	2,581,569	2,581,569	2,594,823	13,254	13,254	2,389,140
NDPB (net)	14,904	-	14,904	116,252	-	116,252	131,156	129,082	(2,074)	-	132,613
Standards and Testing Agency	5,534	-	5,534	31,553	(1,818)	29,735	35,269	37,357	2,088	2,195	14,699
Teaching Agency	15,406	-	15,406	442,095	(447)	441,648	457,054	488,208	31,154	31,047	658,887
National College	10,620	(12)	10,608	60,531	(3,493)	57,038	67,646	82,023	14,377	14,377	104,404
Education Funding Agency – excluding Academy Trusts	59,462	(132)	59,330	37,114,659	(19,731)	37,094,928	37,154,258	37,169,181	14,923	14,923	40,337,314
Academy Trusts	-	-	-	10,189,439	-	10,189,439	10,189,439	10,341,998	152,559	152,559	6,118,120
Total spending in DEL	**391,551**	**(3,944)**	**387,607**	**51,717,736**	**(28,634)**	**51,689,102**	**52,076,709**	**52,383,624**	**306,915**	**306,915**	**51,196,135**
Spending in Annually Managed Expenditure (AME)											
Voted expenditure											
Activities to Support all Functions:											
Department	-	-	-	63,627	-	63,627	63,627	73,718	10,091	10,091	63,634
NDPB	-	-	-	(1,434)	-	(1,434)	(1,434)	(450)	984	984	-
Executive Agencies	-	-	-	(3,601)	-	(3,601)	(3,601)	997,700	1,001,301	881,567	-
Academies (net)	-	-	-	119,734	-	119,734	119,734	-	(119,734)	-	-
Total spending in AME	**-**	**-**	**-**	**178,326**	**-**	**178,326**	**178,326**	**1,070,968**	**892,642**	**892,642**	**63,634**
Totals	**391,551**	**(3,944)**	**387,607**	**51,896,062**	**(28,634)**	**51,867,428**	**52,255,035**	**53,454,592**	**1,199,557**	**1,199,557**	**51,259,769**

2. NET OUTTURN (continued)

2.2 Analysis of net capital outturn by section

	2012-13						2011-12
	Outturn			Estimate			Outturn (Restated)
	Gross £000	Income £000	Net £000	Net £000	Net total compared to Estimate £000	Net total compared to Estimate, adjusted for virements £000	Net £000
Spending in Departmental Expenditure Limits (DEL)							
Voted expenditure							
Activities to Support all Functions	6,958	(12,218)	(5,260)	15,000	20,260	21,433	13,155
School Infrastructure and Funding of Education	(5,694)	(4,949)	(10,643)	15,135	25,778	25,778	55,038
Education Standards, Curriculum and Qualifications	10,000	-	10,000	10,000	-	-	28
Children, Young People and Families:							
Department	39,731	-	39,731	41,883	2,152	2,152	138,884
NDPB	(1,173)	-	(1,173)	-	1,173	-	44
Standards and Testing Agency	-	-	-	-	-	-	-
Teaching Agency	104	(104)	-	-	-	-	387
National College	455	-	455	949	494	494	1,193
Education Funding Agency – excluding Academy Trusts	3,919,475	-	3,919,475	4,087,679	168,204	168,204	4,820,839
Academy Trusts	306,217	-	306,217	330,954	24,737	24,737	12,621
Total spending in DEL	**4,276,073**	**(17,271)**	**4,258,802**	**4,501,600**	**242,798**	**242,798**	**5,042,189**
Voted expenditure							
Activities to Support all Functions:							
Department	-	-	-	-	-	-	-
NDPB	-	-	-	-	-	-	-
Executive Agencies	-	-	-	-	-	-	-
Total	**4,276,073**	**(17,271)**	**4,258,802**	**4,501,600**	**208,823**	**242,798**	**5,042,189**

The outturn figures for 2011-12 have been restated from those published in the Group's 2011-12 accounts as an outcome of the Arm's Length Body review. The restated figures reflect the outturn of the 2012-13 structure of the Group's EAs.

The outturn figures in 2011-12 include the Qualifications and Curriculum Development Agency which closed in March 2012, and which was part of the ALB reform.

3. RECONCILIATION OF OUTTURN TO NET OPERATING COST AND AGAINST ADMINISTRATION BUDGET

3.1 Reconciliation of net resource outturn to net operating cost

		2012-13 Outturn £000	2011-12 Outturn £000
Total resource outturn in Statement of Parliamentary Supply Budget		52,255,035	51,259,769
		52,255,035	**51,259,769**
Add:	Capital grant	3,466,843	5,022,509
	Grants disbursed by Department not yet recognised by Academy Trusts	270,944	-
Less:	Income payable to the Consolidated Fund	(60)	(2,787)
	Cash transferred from NDPBs closed in 2011-12	(1,376)	-
	Other capital gains non-LA convertors:		
	In-year convertors	(1,403,242)	-
	Pre-1 April 2012 convertors	(3,256,780)	-
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure		**51,331,364**	**56,279,491**

3.2 Outturn against final administration budget and administration net operating cost

		2012-13 Outturn £000	2011-12 Outturn £000
Estimate	– Administration costs limit	**407,346**	**415,685**
Outturn	– Gross administration costs	391,551	378,984
Outturn	– Gross income relating to administration	(3,944)	(5,049)
Outturn	– Net administration costs	**387,607**	**373,935**
Reconciliation to operating costs:			
Less: provisions utilised (transfer from Programme)		(20,351)	(9,008)
Less: Other		-	(1,521)
Reconciling item: CFER		(60)	(58)
Administration Net Operating Costs		**367,196**	**363,348**

4. RECONCILIATION OF NET RESOURCE OUTTURN TO NET CASH REQUIREMENT

	Note	Estimate £000	Outturn £000	2012-13 Net total outturn compared with Estimate: saving/ (excess) £000	2011-12 Outturn £000
Resource Outturn	2.1	**53,454,592**	**52,255,035**	**1,199,557**	**51,259,769**
Capital Outturn	2.2	**4,501,600**	**4,258,802**	**242,798**	**5,042,189**
		57,956,192	**56,513,837**	**1,442,355**	**56,301,958**
Accruals to cash adjustments					
Adjustments to remove non-cash items:					
Depreciation, amortisation and impairment	8, 9	(31,249)	(31,952)	703	(26,150)
New provisions and adjustments to previous provisions	21	(1,119,049)	(100,235)	(1,018,814)	(77,921)
Other non-cash adjustments		-	137	(137)	(592)
Adjustment for NDPBs:					
Remove voted resource and capital		(10,834,589)	(10,505,254)	(329,335)	(18,926,023)
Add cash grant-in-aid		10,434,282	10,325,615	108,667	19,043,711
Adjustments to reflect movements in working balances:					
Movement in receivables		-	(90,738)	90,738	4,642
Movement in payables		-	(55,664)	55,664	7,522
Use of provisions	21	47,631	38,958	8,673	22,311
Excess cash receipts surrenderable to the Consolidated Fund		-	-	-	-
Cash transferred from NDPBs closed in 2011-12		-	(1,376)	1,376	-
Net cash requirement		**56,453,218**	**56,093,328**	**359,890**	**56,349,458**

5. INCOME PAYABLE TO THE CONSOLIDATED FUND

	Outturn 2012-13		Outturn 2011-12	
	Income £000	*Receipts* £000	Income £000	*Receipts* £000
Operating income outside the ambit of the Estimate	60	*2,790*	2,787	*58*
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total income payable to the Consolidated Fund	**60**	***2,790***	**2,787**	***58***

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

6. STATEMENT OF OPERATING COSTS BY OPERATING SEGMENT

The Group is structured 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 Management Committee on this basis; the Group's Supply Estimates are also structured in this way.

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

6.1 Segmental analysis

The segmental report shown below links expenditure within the new Group structure to note 2 and covers the Group's total expenditure outturn for the financial year.

			2012-13			2011-12
	Gross Expenditure £000	Income £000	Net Expenditure £000	Gross Expenditure £000	Income £000	Net Expenditure £000
Children's Services & Departmental Strategy	2,750,778	(929)	2,749,849	2,692,810	(10,006)	2,682,804
Education Standards	1,478,035	(6,344)	1,471,691	1,100,223	(1,667)	1,098,556
Infrastructure & Funding	41,313,506	(26,432)	41,287,074	52,328,494	(27,381)	52,301,113
Corporate Services	405,977	(16,144)	389,833	224,494	(5,009)	219,485
	45,948,296	**(49,849)**	**45,898,447**	**56,346,021**	**(44,063)**	**56,301,958**
Academy Trusts	10,615,390	-	10,615,390	-	-	-
	56,563,686	**(49,849)**	**56,513,837**	**56,346,021**	**(44,063)**	**56,301,958**

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

- **Children's Services and Departmental Strategy Directorate**: The focus of the directorate's work is to help children and young people have a more equal opportunity to benefit from an excellent education and provide corporate strategic, analytical and communication services for the Group. Key areas of work include ensuring more children receive a high quality early education; increasing the affordability, availability and quality of childcare; delivering a robust reform programme for SEN; ensuring that children identified for adoption are placed as swiftly as possible; increasing the professionalism, qualifications and effectiveness of children's social workers; reforming the care system, including residential care; implementing reforms to the family justice system and tackling child poverty. The service based functions within the directorate are focused on ensuring that data and economic thinking informs policy development and delivery; representing the Group's interests in international forums and ensuring best use of international learning to inform policy; providing a communications function to Ministers and ensuring that time and quality standards are met in responding to public queries; delivering a strategic, forward looking function to support the Board and ensure connections are made across related Group activity; and providing Ministers with a high quality private office service and delivering efficiently and effectively on the Group's Business of State responsibilities.

6. STATEMENT OF OPERATING COSTS BY OPERATING SEGMENT (continued)

6.1 Segmental analysis (continued)

- **Education and Standards Directorate**: the directorate's work is focused on achieving Ministers' objectives to raise standards and narrow gaps and make the education system in England a world leader. The aim is for our education system to match the best anywhere in the world in preparing children and young people for the future. To do this we aim to move England up the league tables of performance in language, maths and science in every age group whilst also narrowing gaps; we aim to reform the National Curriculum and the qualifications system to set standards comparable to the highest achieving jurisdictions in the world, and meet the needs of universities and employers; we aim to improve the recruitment, selection and training of teachers and leaders, supporting their professionalism and authority and raising the status of the profession, so that teachers and teaching are as highly regarded and effective as in any country in the world, and we aim to create a system of accountability and incentives which supports every school and sixth form college to improve and share effective practice, and where the most effective practitioners and leaders take responsibility for improving practice elsewhere. This Government is clear that the system will not best be improved through centrally-driven programmes, but rather by giving professionals the freedom and the tools to do what they believe to be right, removing the barriers and bureaucracy in their way, and making sure that they are accountable through transparent information to parents, pupils and the taxpayer for the progress of every child. This does not mean that failure can be ignored: it remains our job to ensure that where there are serious problems, there is rapid intervention to secure for children and young people a decent quality of education.

- **Infrastructure and Funding Directorate**: 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.

- **Corporate Services**: this group 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; commercial and procurement support, Internal Audit support, IT systems and Estate Management functions

6.2 Reconciliation between operating segments and SOCNE

	Net expenditure per segmental analysis £000	Reconciling items: Income & Gains £000	Reconciling items: Expenditure £000	Net expenditure per SOCNE £000
Children's Services & Strategy	2,749,849	-	1,173	2,751,022
Educations Standards	1,471,691	-	(1,831)	1,469,860
Infrastructure & Funding	41,287,074	4,949	79,913	41,371,936
Corporate Services	389,833	12,158	(6,910)	395,081
	45,898,447	**17,107**	**72,345**	**45,987,899**
Academy Trusts	10,615,390	(23,356,646)	(2,028,143)	(14,769,399)
Outturn totals as per note 2	**56,513,837**	**(23,339,539)**	**(1,955,798)**	**31,218,500**

7. STAFF NUMBERS AND RELATED COSTS

7.1 Staff costs consist of:

	Permanently employed staff £000	Other £000	Ministers £000	Special Advisers £000	2012-13 Total £000	2011-12 Total £000
Wages and salaries	6,647,131	282,346	263	149	6,929,889	273,501
Social security costs	473,793	9,022	24	15	482,854	20,837
Other pension costs	912,215	13,581	-	33	925,829	43,143
	8,033,139	**304,949**	**287**	**197**	**8,338,572**	**337,481**
Less recoveries in respect of outward secondments	(1,499)	-	-	-	(1,499)	(418)
	8,031,640	**304,949**	**287**	**197**	**8,337,073**	**337,063**
Charged to:						
Administration costs	204,598	3,964	287	197	209,046	220,708
Programme costs	7,828,541	300,985	-	-	8,129,526	116,773
	8,033,139	**304,949**	**287**	**197**	**8,338,572**	**337,481**
Less recoveries in respect of outward secondments	(1,499)	-	-	-	(1,499)	(418)
	8,031,640	**304,949**	**287**	**197**	**8,337,073**	**337,063**
Of which						
Department	142,599	2,402	287	197	145,485	141,948
Executive Agencies	67,072	9,325	-	-	76,397	2,389
NDPBs	80,754	13,156	-	-	93,910	193,144
Academy Trusts	7,742,714	280,066	-	-	8,022,780	-
	8,033,139	**304,949**	**287**	**197**	**8,338,572**	**337,481**
Less recoveries in respect of outward secondments	(1,499)	-	-	-	(1,499)	(418)
	8,031,640	**304,949**	**287**	**197**	**8,337,073**	**337,063**

The Group has agreed with HMT to treat all ATs' staff cost as programme. Other staff charged to programme costs consist mainly of frontline social workers £89m (2011-12: £92m) and European School Teachers £9.7m (2011-12: £10m).

7. STAFF NUMBERS AND RELATED COSTS (continued)

7.2 Average number of persons employed

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

	Permanently employed staff Number	Other Number	Ministers Number	Special Advisers Number	2012-13 Total Number	2011-12 Total Number (Restated)
Number of staff charged to:						
Administration costs	3,882	109	5	3	3,999	4,316
Programme costs	241,198	12,029	-	-	253,227	2,210
	245,080	**12,138**	**5**	**3**	**257,226**	**6,526**
Of which:						
Department	2,780	65	5	3	2,853	2,793
Executive Agencies	1,181	104	-	-	1,285	86
NDPBs	1,684	96	-	-	1,780	3,647
Academy Trusts	239,435	11,873	-	-	251,308	-
	245,080	**12,138**	**5**	**3**	**257,226**	**6,526**

The number of staff employed by the Group has shown a considerable increase this year through the inclusion of ATs in the Group. It is expected that the Group's staff numbers will continue to climb as more schools convert to academy status and the employees of the ATs are included in future consolidations.

The number of staff employed in the Department has shown a very small rise. Some staff from closing NDPBs moved into the Department and its EAs as a consequence of the ALB reform programme, mostly in corporate areas. The closure of NDPBs has enabled the Department to achieve economies of scale in its corporate functions and the net increase is therefore very small.

The Group has also included for the first time, European School Teachers in the Group's staff numbers. Although the Group undertakes the recruitment and payroll of the teachers, their management is handled directly by the schools they work in. Many of the Civil Service terms and conditions applicable to mainstream Group employees are not applicable to teachers because they are bound by separate terms laid down by the European Schools Convention (EU treaty/law).

To ensure consistency, we have also re-stated 2011-12 staff numbers to reflect the teachers who were excluded from our staff numbers last year.

7.3 Pension schemes

The Group operates a range of pension schemes for its employees depending upon their role. The schemes are described further below and note 22.

Principal Civil Service Pension Scheme (PCSPS)
The PCSPS is an unfunded multi-employer defined benefit scheme. As such there are no underlying scheme assets and liabilities for allocation across the employers operating the scheme. In accordance with IAS19 contributions to the scheme are accounted for as if the scheme were a defined contribution scheme with only contributions payable during the year recognised.

The scheme actuary valued the scheme as at 31 March 2007. You can find details in the accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2012-13, employer's contributions of £34.0m were payable to the PCSPS (2011-12: £32.8m) 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 2012-13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

7. STAFF NUMBERS AND RELATED COSTS (continued)

7.3 Pension schemes (continued)

Local Government Pension Scheme (LGPS)
The Group makes contributions to the LGPS. The scheme is governed by statutory regulations which are currently: *Superannuation Act 1972.* Membership of the scheme is voluntary and is open to non-teaching staff at the Group's academy schools who satisfy the membership criteria. A small number of other Group employees are also members of the scheme through previous employment rights.

The scheme is a funded, multi-employer defined benefit pension scheme. The scheme is available to employees of local government bodies that satisfy the membership criteria. The scheme's administrators are able to allocate the scheme's underlying assets and liabilities across the separate employers in accordance with IAS 19. Consequently, the Group recognises its share of the scheme's net asset surplus or liability deficit on its Statement of Financial Position.

Teachers' Pension Scheme (TPS)
The Group makes contributions to the TPS. The scheme is governed by statutory regulations which are currently: *The Teachers' Pensions Regulations (amended 2010) (SI2010/990).* Membership of the scheme is voluntary and is open to members of the teaching profession in England and Wales who satisfy the membership criteria.

The scheme is an unfunded, multi-employer defined benefit pension scheme operated by the Group. As such there are no underlying scheme assets and liabilities for allocation across the employers operating the scheme. In accordance with IAS19 contributions to the scheme are accounted for as if the scheme were a defined contribution scheme with only contributions payable during the year recognised.

Contributions to the TPS by employers and employees are set at rates determined by the Secretary of State, taking advice from the scheme's actuary. Further information about the scheme can be obtained from the TPS's 2012-13 ARA.

Partnership pension accounts
Group employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £192,000 (2011-12: £158,000) 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. The Group matches employee contributions up to 3% of pensionable pay. In addition, employer contributions of £12,000 (2011-12: £12,000), 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 payable to the partnership pension providers at the year end were £17,000 (2011-12: £9,000). Contributions prepaid at that date were £nil.

7.4 Reporting of civil service and other compensation schemes

Department

Exit package cost band	Number of compulsory redundancies 2012-13	Number of compulsory redundancies 2011-12	Number of other departures agreed 2012-13	Number of other departures agreed 2011-12	Total number of exit packages by cost band 2012-13	Total number of exit packages by cost band 2011-12
<£10,000	-	-	15	6	15	6
£10,001 - £25,000	-	-	74	42	74	42
£25,001 - £50,000	-	-	127	58	127	58
£50,001 - £100,000	-	-	91	47	91	47
£100,001 - £150,000	-	-	26	19	26	19
£150,001 - £200,000	-	-	14	4	14	4
£200,001 - £250,000	-	-	-	1	-	1
Total number of exit packages	**-**	**-**	**347**	**177**	**347**	**177**
Total costs (£000)	**-**	**-**	**23,208**	**9,382**	**23,208**	**9,382**

7. STAFF NUMBERS AND RELATED COSTS (continued)

7.4 Reporting of civil service and other compensation schemes (continued)

Department & Agencies

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
<£10,000	-	-	25	6	25	6
£10,001 - £25,000	-	-	112	43	112	43
£25,001 - £50,000	-	-	170	58	170	58
£50,001 - £100,000	-	-	110	47	110	47
£100,001 - £150,000	-	-	32	19	32	19
£150,001 - £200,000	-	-	15	4	15	4
£200,001 - £250,000	-	-	-	1	-	1
Total number of exit packages	**-**	**-**	**464**	**178**	**464**	**178**
Total costs (£000)	**-**	**-**	**23,209**	**9,390**	**23,209**	**9,390**

Group

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
<£10,000	414	49	566	111	980	160
£10,001 - £25,000	164	24	441	165	605	189
£25,001 - £50,000	69	5	302	114	371	119
£50,001 - £100,000	17	-	131	72	148	72
£100,001 - £150,000	-	-	37	23	37	23
£150,001 - £200,000	-	-	15	6	15	6
£200,001 - £250,000	-	-	-	2	-	2
£250,001 - £300,000	-	-	-	-	-	-
£300,001 - £350,000	-	-	-	1	-	1
Total number of exit packages	**664**	**78**	**1,492**	**494**	**2,156**	**572**
Total costs (£000)	**7,601**	**733**	**37,530**	**18,212**	**45,131**	**18,945**

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 Group has agreed early retirements, the additional costs are met by the Group 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.

In 2012-13, the exit costs of staff in the EAs are borne and managed centrally by the Department. Information on departure costs and numbers for each agency are also reported in the individual agency's accounts to aid transparency. Payments comprise either a lump sum payment, or in cases of early retirement for staff within 10 years of their pension scheme's retirement age, an annual pension payment. The total cost to the Group will therefore be higher than the amounts received by individuals.

8. OTHER ADMINISTRATION COSTS

			2012-13			2011-12
	Department £000	Department &Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Rentals under operating leases:						
Hire of plant and machinery	1,624	1,624	1,632	-	-	13
Other operating leases	17,642	17,652	17,383	10,905	10,911	16,630
	19,266	**19,276**	**19,015**	**10,905**	**10,911**	**16,643**
Non-cash items:						
Depreciation:						
Civil Estate	1,457	1,457	1,457	925	925	964
Other property, plant and equipment	9,240	9,240	9,253	6,274	6,274	7,630
Amortisation of intangible assets	8,671	8,746	8,750	6,560	6,560	6,922
Loss on disposal of non-current assets	20	20	20	36	36	61
Auditors' remuneration - audit work	450	1,020	1,020	500	535	535
	19,838	**20,483**	**20,500**	**14,295**	**14,330**	**16,112**
Professional fees	10,630	25,527	25,859	7,367	7,370	12,055
Travel and subsistence	4,387	8,172	8,405	2,999	3,095	6,626
Consultancy	332	473	482	515	521	705
Rates and service charges	7,155	7,143	7,181	4,835	4,835	5,729
Computers and telecoms costs	19,777	21,325	29,803	12,026	12,033	37,058
Utilities	2,675	2,675	2,676	1,797	1,797	1,866
Advertising and publicity	724	803	949	396	396	1,478
Other office services	6,814	6,929	7,086	4,096	4,108	7,385
Teachers' Pension Scheme Contract expenditure	13,219	13,219	13,219	15,012	15,018	15,018
Auditors' remuneration - audit work	-	-	74	-	-	581
Other expenditure	27,034	26,580	26,906	13,422	13,443	26,442
	92,747	**112,846**	**122,640**	**62,465**	**62,616**	**114,943**
	131,851	**152,605**	**162,155**	**87,665**	**87,857**	**147,698**

The Group's auditors received no remuneration for non-audit work concerning the Department and its EAs and NDPBs. Auditors' fees incurred by the ATs are reported in programme costs and relate to both audit and non-audit work. The non-cash fees in the preceding table relate to work carried out for the Department and EAs, whereas the cash fees stated are for audit work carried out on the accounts of the Group's NDPBs and ATs.

£23.2m of the other expenditure cost reflects lump sum accruals of VER cost for the Department and its EAs. Details of exit costs are available on note 7 and also in the individual EA's ARAs.

9. PROGRAMME COSTS

A number of 2011-12 grants paid by the Department and one of its NDPBs, Partnerships for Schools, are now being disbursed by one of the Group's EAs. The grants include Dedicated School Grant (DSG), Basic Needs, Building Schools for the Future and National Framework grants. The transfer of functions and changes in the governance arrangement within the Group account for the movement in expenditure in the table below; the grants are now presented under the Department & Agencies column.

			2012-13			2011-12
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Current grants, capital grants and other current expenditure:						
Basic Need schools capital grant	-	1,311,867	1,311,867	-	-	1,400,000
Building Schools for the Future capital grant	-	1,026,745	911,873	-	-	1,211,445
Free Schools	-	77,504	75,257	-	-	48,965
National Framework Academies capital grant	-	151,086	148,677	-	-	742,906
Maintenance capital grants to local authorities	-	686,842	686,842	-	-	1,004,406
Other capital grants	66,372	666,148	638,118	189,060	189,060	614,788
Dedicated Schools Grant	-	29,959,126	29,959,126	32,743,759	32,743,759	32,743,759
Pupil Premium	-	988,838	988,838	556,455	556,455	556,455
Early Intervention Grant	2,360,201	2,360,201	2,360,201	2,241,124	2,241,124	2,241,124
Extended Rights to Free Home to School Transport	48,854	48,854	48,854	38,049	38,049	38,049
Family Fund Trust	27,323	27,323	27,323	27,323	27,323	27,323
Initial Teacher Training	-	348,644	346,111	-	-	355,969
Music & Dance Scheme	28,027	28,027	28,027	29,402	29,402	29,402
Repayment of Teacher Loans	17,439	17,439	17,439	20,186	20,186	20,186
Sure Start current grants to local authorities	-	-	-	(1,076)	(1,076)	(1,076)
16-18 Apprenticeships	673,233	673,233	673,233	758,966	758,966	758,966
Local authority maintained School Sixth forms	-	1,135,628	1,135,628	-	-	1,585,466
16-19 further education	-	3,786,107	3,786,107	-	-	4,069,611
PFI special grant	-	669,971	669,971	-	-	599,583
Other current grants	472,765	1,124,912	1,043,155	343,359	343,359	887,328
Other current expenditure	127,885	251,740	546,937	112,132	124,321	687,597
Research & development costs	11,090	12,181	12,181	11,585	11,585	12,172
General Annual Grant funding	-	10,200,802	-	-	-	6,118,120
Grant in Aid (funding)	124,812	124,812	-	19,043,711	19,043,711	-
Returned Grant in Aid (Non-voted)	(1,376)	(1,376)	-	-	-	-
Balance carried forward	**3,956,625**	**55,676,654**	**45,415,765**	**56,114,035**	**56,126,224**	**55,752,544**

Grants paid to ATs in advance of their schools opening are un-eliminated since the Group's accounting policy is to exclude from consolidation all grant payments made to ATs that relate to un-opened academy schools.

Payments under academy school programmes (such as Free Schools above) not made to ATs are not eliminated on consolidation and remain to be disclosed above.

9. PROGRAMME COSTS (continued)

	2012-13			2011-12		
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Current grants, capital grants and other current expenditure:						
Balance brought forward	**3,956,625**	**55,676,654**	**45,415,765**	**56,114,035**	**56,126,224**	**55,752,544**
Educational supplies	-	-	550,087	-	-	-
Professional fees	-		51,892	-	-	-
Travel and subsistence	-	-	21,258	-	-	-
Staff related costs			79,401			
Consultancy	-	-	51,126	-	-	-
Rates and service charges	-	-	46,440	-	-	-
Accommodation charges			52,411			
Computers and telecoms costs	-	-	121,425	-	-	-
Utilities	-	-	141,593	-	-	-
Catering			132,626			
Other office services	-	-	506,655	-	-	-
Auditors' remuneration:						
audit	-	-	13,026	-	-	-
non-audit	-	-	5,172	-	-	-
Rentals under operating leases:						
Land and buildings	-	-	26,685	-	-	-
Hire of plant and machinery	-	-	-	-	-	-
Other operating leases	-	-	3,628	-	-	-
Bank charges	-	-	4,298	-	-	-
Interest paid	-	-	256	-	-	-
Other expenditure			783,284	-	-	-
	3,956,625	**55,676,654**	**48,007,028**	**56,114,035**	**56,126,224**	**55,752,544**
Non-cash items:						
Depreciation	95	95	803,955	78	78	1,869
Amortisation	12,393	12,413	13,040	12,313	12,313	14,509
Permanent diminution in asset value	-	-	10	20	20	1,028
Reversal of impairment	(1,251)	(1,251)	(1,138)	-	-	-
Loss/(gain) on disposal of property, plant and equipment	-	-	133	-	-	89
Loss/(gain) on disposal of intangible assets	12,060	12,060	11,817	-	-	-
Loss/(gain) on disposal of investments	-	-	5	-	-	-
Provisions:						
Provided in year	102,779	103,979	106,320	80,270	80,270	103,341
Not required written back	(8,581)	(9,990)	(10,992)	(3,140)	(3,140)	(6,643)
Change of discount rate	5,496	5,496	5,496	24	24	24
Borrowing costs (unwinding of discounts)	750	750	750	767	767	768
	123,741	**123,552**	**929,396**	**90,332**	**90,332**	**114,985**
	4,080,366	**55,800,206**	**48,936,424**	**56,204,367**	**56,216,556**	**55,867,529**

10. INCOME

	2012-13			2011-12		
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Administration income:						
Fees and charges to external customers	124	124	124	225	225	191
Rental income	2,908	2,908	2,218	2,966	2,966	2,153
Shared service income	681	681	681	2,172	963	1,364
Other miscellaneous	838	982	982	1,282	1,282	1,350
Non-cash items:						
Shared services notional re-charge	55,322	-	-	-	-	-
	59,873	**4,695**	**4,005**	**6,645**	**5,436**	**5,058**
Programme income:						
GTCE registration fee	-	-	-	-	-	22,487
Joint programme income	476	20,208	20,208	26,161	26,161	26,161
Rental Income	-	-	-	-	-	28
NCL conference income	-	922	922	-	-	916
Voluntary income				-	-	-
Donations	-	-	214,809	-	-	-
Other	-	-	213,733	-	-	-
Activities for generating funds						
Hire of facilities	-	-	52,002	-	-	-
Rental income	-	-	12,119	-	-	-
Catering income	-	-	105,079	-	-	-
Other	-	-	216,852	-	-	-
Investment income						
Short-term deposit interest	-	-	1,879	-	-	-
Interest	-	-	5,147	-	-	-
Other	-	-	3,243	-	-	-
Non-Group grant income	-	-	366,789	-	-	-
Boarding activities income	-	-	27,551	-	-	-
Miscellaneous income	-	-	188,058	-	-	-
Other income	2,670	7,608	16,430	14,303	15,583	18,622
	3,146	**28,738**	**1,444,821**	**40,464**	**41,744**	**68,214**
	63,019	**33,433**	**1,448,826**	**47,109**	**47,180**	**73,272**

The joint programme income relates to income from BIS/Skills Funding Agency and the Ministry of Justice for jointly managed projects where the Group had recharged some of the expenditure for those programmes. From 2012-13, this joint programme is now reported under Department & Agencies as opposed to Department because management of the programmes has moved from the Department to one of its EAs.

Voluntary income - donations represents the value of incoming assets donated to the Group after the conversion of the Group's schools. The balance does not represent the net asset/liability position of legacy assets arising on the conversion of the Group's school.

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Group 2011-12

	Land & Buildings £000	Leasehold Improve'ts £000	IT Equipment £000	Plant & Machinery £000	Furniture & Fittings £000	Motor Vehicles £000	Assets Under Construction £000	Total £000
Cost or valuation								
At 1 April 2011	87,952	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	95	-	42	10	522	-	-	669
At 31 March 2012	**87,809**	**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
Charged 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 value as at:								
31 March 2012	**73,314**	**388**	**9,574**	**56**	**12,312**	**-**	**4,352**	**99,996**
31 March 2011	**75,184**	**1,051**	**7,692**	**72**	**14,609**	**-**	**5,616**	**104,224**
Of the total:								
Department	51,389	-	8,891	44	9,320	-	4,352	73,996
Executive Agencies	-	-	-	-	-	-	-	-
NDPBs	21,925	388	683	12	2,992	-	-	26,000
Academy Trusts	-	-	-	-	-	-	-	-
	73,314	**388**	**9,574**	**56**	**12,312**	**-**	**4,352**	**99,996**

11. PROPERTY, PLANT AND EQUIPMENT (continued)

11.2 Group 2012-13

	Land & Buildings £000	Leasehold Improve'ts £000	IT Equipment £000	Plant & Machinery £000	Furniture & Fittings £000	Motor Vehicles £000	Assets Under Construction £000	Total £000
Cost or valuation								
At 1 April 2012	87,809	3,077	44,526	420	24,937	-	4,352	165,121
Additions	284,526	7,016	113,526	1,628	87,235	3,927	257,942	755,800
Transferred in on in-year school conversion:								
Local authorities	6,489,154	2,071	28,701	14,795	49,865	1,626	-	6,586,212
Others	1,454,963	28	2,359	332	7,743	205	-	1,465,630
Acquired on 1 April 2012 from conversion of pre-existing ATs:								
Local authorities	13,981,707	-	135,156	271	217,039	5,465	25,957	14,365,595
Others	3,181,149	-	35,467	-	60,332	1,128	6,389	3,284,465
Donations	112,835	-	4,532	-	3,569	80	-	121,016
Impairment	(130)	-	(12)	-	(7)		-	(149)
Disposals	(13,976)	(1,391)	(11,864)	(159)	(3,441)	(204)	(1,342)	(32,377)
Reclassification	25,924	2,975	6,727	125	1,152	-	(37,132)	(229)
Revaluations	121,809	1,159	5,589	21	1,082	-	-	129,660
At 31 March 2013	**25,725,770**	**14,935**	**364,707**	**17,433**	**449,506**	**12,227**	**256,166**	**26,840,744**
Depreciation								
At 1 April 2012	14,495	2,689	34,952	364	12,625	-	-	65,125
Charged in year	620,594	1,405	109,153	1,314	79,543	2,656	-	814,665
Impairment	(17)	59	-	-	(5)	-	-	37
Disposals	(2,793)	(1,390)	(10,513)	(155)	(2,888)	(95)	-	(17,834)
Reclassification	(2,540)	2,540	(27)	110	(149)	-	-	(66)
Revaluations	550	565	2,935	12	457	-	-	4,519
At 31 March 2013	**630,289**	**5,868**	**136,500**	**1,645**	**89,583**	**2,561**	**-**	**866,446**
Carrying value as at:								
31 March 2013	**25,095,481**	**9,067**	**228,207**	**15,788**	**359,923**	**9,666**	**256,166**	**25,974,298**
31 March 2012	**73,314**	**388**	**9,574**	**56**	**12,312**	**-**	**4,352**	**99,996**

11. PROPERTY, PLANT AND EQUIPMENT (continued)

11.2 Group 2012-13 (continued)

	Land & Buildings £000	Leasehold Improve'ts £000	IT Equipment £000	Plant & Machinery £000	Furniture & Fittings £000	Motor Vehicles £000	Assets Under Construction £000	Total £000
Of the total:								
Department	68,994	504	9,092	45	10,803	-	3,321	92,759
Executive Agencies	-	-	-	-	-	-	191,029	191,029
NDPBs	780	-	262	6	10	-	-	1,058
Academy Trusts	25,025,707	8,563	218,853	15,737	349,110	9,666	61,816	25,689,452
	25,095,481	**9,067**	**228,207**	**15,788**	**359,923**	**9,666**	**256,166**	**25,974,298**

Land and building assets, including ATs, have been presented as a single asset class to reflect the common valuation techniques (depreciated replacement cost) applied to the estate as a whole. The Group operates its land and building assets through a number of routes from freehold, through leasehold to rentals. Where the Group leases its land and building assets from their local authority the majority of such leases are very long (often 100 or 125 years) and there is usually only a notional peppercorn, or in some instances no, rental cost. To reflect the commercial/economic nature of such long low value leases the Group has classified such leases as equivalent to freehold and aggregated all land and building assets into a single asset class.

As part of the transfer of functions programme, assets from closed/abolished NDPBs were transferred within the Group on 1 April 2012. In accordance with the FReM requirement, the assets were not revalued on transfer and were transferred at their net book value. There is no impact on the Group results from these wholly intra-Group transfers.

Land and building assets acquired by the Group on conversion of AT sites (both in-year and as part of the 1 April 2012 business combination) are valued on a basis consistent with the Group's other land and building assets; depreciated replacement cost. Following the initial recognition (at conversion or 1 April 2012) all AT land and building assets will be revalued in line with Group policy every five years, necessitating an expansion of the Group's rolling revaluation programme.

All land and building assets acquired in the business combination were valued as at 31 August 2012 and appreciated back to 31 March 2012. The assets will next be revalued as 31 March 2017. Land and building assets for all sites opened after 31 March 2012 will be revalued on the five year anniversary of their opening.

11. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's panel of surveyors revalue land and buildings in accordance with the RICS Appraisal and Valuation Manual. Valuations take account of the different types of land and buildings assets held by the Group; namely office buildings and schools sites. The Group has a panel of surveyors that have been retained to value specific parts of the Group's estate. DTZ values the Group's land and building assets other than its schools. The 31 August 2012 valuation only concerned the cohort of school land and buildings operated by the Group as at 31 March 2012 and were valued by either DTZ or DJD. The valuation was carried out as at 31 August 2012 but the values were then appreciated back to 31 March 2012 for inclusion in the business combination. Land and building assets acquired after 31 March 2012 have been valued by Mouchel.

The Group's non-school sites were last revalued by DTZ as follows:

Mowden Hall, Darlington March 2009; Castle View House, Runcorn February 2011; St Paul's Place, Sheffield June 2010 and LCC building, Nottingham June 2007.

The LCC building was last revalued 6 years ago and this is a departure from *IAS16 Property, Plant and Equipment* and the Group's accounting policy which requires a full valuation every 5 years. Group management do not believe the departure has a material impact on the value of the Group's assets. The LCC building will be revalued in 2013-14.

The Group is not aware of any material change to the valuation of the properties since the last professional valuations.

Non-land and building assets are revalued on the basis of monthly indices, provided by the ONS.

Assets under construction relate to IT and school building construction projects.

12. INTANGIBLE ASSETS

12.1 Group 2011-12

	Software Licences £000	Developed Software £000	Teachers' TV £000	Non-software Licences £000	Other £000	Assets Under Construct'n £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
Impairments	(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 value at:							
31 March 2012	**2,771**	**32,028**	**17,688**	**-**	**-**	**6,340**	**58,827**
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
Executive Agencies	-	-	-	-	-	-	-
NDPBs	598	1,068	-		-	240	1,906
Academy Trusts	-	-	-	-	-	-	-
	2,771	**32,028**	**17,688**	**-**	**-**	**6,340**	**58,827**

12. INTANGIBLE ASSETS (continued)

12.2 Group 2012-13

	Software Licences £000	Developed Software £000	Teachers' TV £000	Non-software Licences £000	Other £000	Assets Under Construct'n £000	Total £000
Cost or valuation							
At 1 April 2012	12,147	67,479	42,340	-	-	6,340	128,306
Additions	1,530	455	-	26	56	2,979	5,046
Transferred in on in-year school conversion:							
Local authorities	497	-	-	-	39	-	536
Others	69	-	-	-	9	-	78
Acquired on 1 April 2012 from conversion of pre-existing ATs:							
Local authorities	616	-	-	61	43	-	720
Others	21	-	-	-	-	-	21
Impairments	-	-	-	-	(3)	-	(3)
Disposals	(1,130)	(355)	(43,593)	-	-	-	(45,078)
Reclassification	1,684	(470)	-			(1,139)	75
Revaluations	1,628	8,845	1,253			-	11,726
At 31 March 2013	17,062	75,954	-	87	144	8,180	101,427
Amortisation							
At 1 April 2012	9,376	35,451	24,652	-	-	-	69,479
Charged in year	2,823	12,506	6,422	10	29	-	21,790
Impairments	-	-	-	-	-	-	-
Disposals	(1,096)	(353)	(31,766)	-	-	-	(33,215)
Reclassification	21	50	-	-	-	-	71
Revaluations	1,101	4,118	692	-	-	-	5,911
At 31 March 2013	12,225	51,772	-	10	29	-	64,036
Carrying value at:							
31 March 2013	**4,837**	**24,182**	**-**	**77**	**115**	**8,180**	**37,391**
31 March 2012	2,771	32,028	17,688	-	-	6,340	58,827
Asset financing:							
Owned	4,837	24,182	-	77	115	8,180	37,391
Of the total:							
Department	3,031	23,711	-	-	-	8,180	34,922
Executive Agencies	1	460	-	-	-	-	461
NDPBs	22	11	-	-	-	-	33
Academy Trusts	1,783	-	-	77	115	-	1,975
	4,837	**24,182**	**-**	**77**	**115**	**8,180**	**37,391**

Intangible assets were revalued on the basis of indices provided by the ONS.

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

As part of the transfer of functions programme, assets from closed/abolished NDPBs were transferred within the Group on 1 April 2012. In accordance with the FReM requirement, the assets were not revalued on transfer and were transferred at their net book value.

Intangible assets introduced to the Group through the conversion of AT schools in year or the cumulative position introduced through the business combination of pre-existing ATs have been accounted for on a consistent basis to existing Group assets.

13. FINANCIAL INSTRUMENTS

As the cash requirements of the Group 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 relate to contracts for non-financial items in line with the Group's expected purchase and usage requirements and the Group is therefore exposed to little credit, liquidity or market risk.

IFRS 7 Financial Instruments: Disclosures requires entity's to provide sufficient disclosures that enable users of accounts to evaluate:

a) the significance of financial instruments for the entity's financial

b) position and performance; and

c) 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 Group 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 Group 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 Group in undertaking its activities.

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

Interest-rate risk
The Group's financial liabilities carry either nil or fixed rates of interest and it is not therefore exposed to significant interest-rate risk.

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

Credit risk
The Group'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 Group and arises principally from cash and outstanding debt. The Group has a credit (receivables) policy that ensures consistent processes are in place throughout the Group to measure and control credit risk.

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

Market risk
The Group is exposed to market risk through its market valued investment portfolio. The majority of the Group's investment portfolio comprises investment funds and/or unit trusts managed by professional money managers.

14. NON-CURRENT ASSET INVESTMENTS

14.1 Group 2011-12

The Group held during the year 1 Ordinary share of £1 each in the following companies that are judged to be non-public sector and so fall outside the Department's Designation Order and were not consolidated:

- Building Schools for the Future Investments (BSFI) Limited (BSFI Ltd); and
- QCDA Enterprises Limited (QCDAe).

See below for more information concerning these two companies.

14.2 Group 2012-13

	Valued at fair value		Valued at cost		
	Listed Securities £000	Other £000	Subsidiaries £000	Other £000	Total £000
Balance as at 1 April 2012	-	-	-	-	-
Additions	7,227	7,066	-	-	14,293
Transferred on in-year school conversions:					
Local authorities	-	-	-	-	-
Others	-	-	-	5	5
Acquired on 1 April 2012 from conversion of pre-existing ATs:					
Local authorities	24,283	9,817	25		34,125
Others	6,154	1,329	-	-	7,483
Disposals	(2,378)	(91)	-	-	(2,469)
Gain/(loss) on year end revaluation	1,976	167	-	-	2,143
Impairment	-	-	-	-	-
Closing balance at 31 March 2013	37,262	18,288	25	5	55,580

The Group held during the year 1 Ordinary share of £1 each in the following companies that are judged to be non-public sector that fall outside the Department's Designation Order and so were not consolidated:

- Building Schools for the Future Investments (BSFI) Limited (BSFI Ltd); and
- QCDA Enterprises Limited (QCDAe).

Building Schools for the Future Investments (BSFI) Limited (company number 05584965)
BSFI Ltd is a wholly owned subsidiary of the Group, which is not consolidated within the Group's accounts. The principal activity of BSFI Ltd was to fund Building Schools for the Future Investments LLP (BSFI LLP) to invest in the local delivery vehicles that are established under the Building Schools for the Future programme.

On 7 December 2006 as part of reorganisation of the Group's funding of Building Schools for the Future programme the Group's direct interest in BSFI LLP were transferred to BSFI Ltd. BSFI LLP is a limited liability partnership jointly funded by the Group (via BSFI Ltd) and Partnerships UK (PUK). BSFI LLP was sold to International Public Partnerships Limited on 12 August 2011 by BSFI Ltd and PUK.

In line with the guidance within the FReM, 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. The Group made no payments to BSFI Ltd during 2012-13 or 2011-12.

BSFI Ltd was dissolved on 18 June 2013.

QCDA Enterprises Limited (company number 00926649)
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 member's voluntary liquidation on 31 January 2012.

QCDA Enterprises Limited was dissolved on 20 September 2013.

15. INVESTMENTS IN OTHER PUBLIC SECTOR BODIES

15.1 Analysis by type

	2012-13 Department £000	2012-13 Department & Agencies £000	2012-13 Group £000	2011-12 Department £000	2011-12 Department & Agencies £000	2011-12 Group £000
Finance leases	-	-	-	20,685	20,685	-
Loans to:						
Academy Trusts	7,359	7,359	-	4,903	4,903	4,903
Voluntary Aided Schools	558	558	558	604	604	604
Investment in subsidiary	-	-	-	-	-	-
	7,917	**7,917**	**558**	**26,192**	**26,192**	**5,507**
Maturity analysis:						
Within one year	2,813	2,813	47	83	83	46
After more than one year but less than five years	4,652	4,652	156	5,220	5,220	5,059
After more than five years	452	452	355	20,889	20,889	402
	7,917	**7,917**	**558**	**26,192**	**26,192**	**5,507**

The Department was the lessor of a finance lease in respect of the NCSL building on the Nottingham University Campus. The lease transactions were eliminated on consolidation of the 2011-12 accounts. Upon the closure of NCSL on 31 March 2012, the building was transferred to the Department on 1 April 2012. As a result, the lease was voided on the 1 April 2012 and has been removed from the 2012-13 accounts.

The loans issued to voluntary aided schools for capital projects under Schedule 3 of the *Schools Standards & Framework Act 1998*. Interest is charged in accordance with the HMT lending rates. At 31 March 2013 there were two outstanding loans (2011-12: two), and all balances are scheduled for repayment by 2025.

The loans issued to ATs are to assist with the ATs' deficit funding following conversion of their school; the loans are fully repayable by the AT by reduction of their grant over a period of time.

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

15.2 Investment in subsidiaries The Group held during the year 1 Ordinary share of £1 each in Partnerships for Schools Limited (PfS).

Partnerships for Schools Limited (company number 04650964, PfS)
PfS was set up on an equity basis to be the government's delivery agent for capital investment programmes in schools. PfS's responsibilities, assets and liabilities transferred to the Education Funding Agency on 31 March 2012. Following the transfer of PfS's activities the value of the Group's shareholding in the company was fully written down. The company is in the process of being wound up under a member's voluntary liquidation.

The liquidators expect the liquidation to be completed in December 2013, subject to the agreement and settlement of outstanding obligations, with formal dissolution of the company following shortly thereafter.

16. INVENTORIES

	2012-13 Department £000	2012-13 Department & Agencies £000	2012-13 Group £000	2011-12 Department £000	2011-12 Department & Agencies £000	2011-12 Group £000
Clothing/uniforms	-	-	4,333	-	-	-
Catering supplies	-	-	1,024	-	-	-
Grounds maintenance	-	-	12	-	-	-
Stationery	-	-	758	-	-	-
Exam papers	-	46	46	-	-	-
Other	-	-	1,175	-	-	-
	-	**46**	**7,348**	**-**	**-**	**-**

Exam papers consist of past exam papers that are sold to schools at cost.

17. TRADE RECEIVABLES AND OTHER ASSETS

17.1 Analysis by type

	2012-13 Department £000	2012-13 Department & Agencies £000	2012-13 Group £000	2011-12 Department £000	2011-12 Department & Agencies £000	2011-12 Group £000
Amounts falling due within one year:						
Trade receivables	1,862	28,479	56,442	8,987	8,987	16,643
VAT receivable	3,011	3,186	105,514	1,806	1,806	1,642
Deposits and advances	416	445	468	404	404	1,091
Other receivables	172	222	148,435	2,885	2,885	28,799
Prepayments and accrued income	6,405	20,369	149,934	30,299	31,578	74,150
	11,866	**52,701**	**460,793**	**44,381**	**45,660**	**122,325**
Amounts falling due after more than one year:						
Trade receivables	-	-	-	-	-	12
Other receivables	-	-	-	-	-	-
Prepayments and accrued income	5,646	5,935	5,727	5,669	5,669	5,669
	5,646	**5,935**	**5,727**	**5,669**	**5,669**	**5,681**

17. TRADE RECEIVABLES AND OTHER ASSETS (continued)

17.2 Intra-Government balances - Group

	Amounts falling due within one year		Amounts falling due after more than one year	
	2012-13	2011-12	2012-13	2011-12
	£000	£000	£000	£000
Balances with other central Government bodies	164,140	70,161	-	-
Balances with local authorities	87,203	20,499	9	-
Balances with NHS Trusts	-	2	-	-
Balances with public corporations and trading funds	-	2	-	-
Intra-Government balances	**251,343**	**90,664**	**9**	**-**
Balances with bodies external to government	209,450	31,661	5,718	5,681
	460,793	**122,325**	**5,727**	**5,681**

18. CASH AND CASH EQUIVALENTS

	2012-13			2011-12		
	Department	Department & Agencies	Group	Department	Department & Agencies	Group
	£000	£000	£000	£000	£000	£000
Balance at 1 April	33,599	33,599	231,624	(22,805)	(22,805)	102,238
Net change in cash and cash equivalent balances	(17,642)	109,885	1,772,436	56,404	56,404	129,386
Balance at 31 March 2013	**15,957**	**143,484**	**2,004,060**	**33,599**	**33,599**	**231,624**
The following balances are held at:						
Cash at bank and in hand:						
Government Banking Service	15,902	147,391	147,387	33,465	33,465	212,030
Commercial banks	55	-	1,862,309	134	134	19,594
	15,957	**147,391**	**2,009,696**	**33,599**	**33,599**	**231,624**
Overdrafts:						
Government Banking Service	-	-	-	-	-	-
Commercial banks	-	(3,907)	(5,636)	-	-	-
	-	**(3,907)**	**(5,636)**	**-**	**-**	**-**
Balance at 31 March 2013	**15,957**	**143,484**	**2,004,060**	**33,599**	**33,599**	**231,624**

19. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

19.1 Analysis by type

			2012-13			2011-12
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Overdrafts	-	3,907	5,636	-	-	-
Loans payable	-	-	7,371	-	-	-
Finance leases	-	-	995	-	-	-
Other taxation and social security	2,959	4,431	132,531	3,110	3,245	5,781
VAT payable	-	-	1,071	-	-	-
Trade payables	17,786	21,601	253,277	39,948	40,238	42,528
Other payables	2,806	3,905	200,590	2,452	2,527	7,332
Accruals and deferred income	224,644	400,661	811,511	191,918	195,665	308,084
Corporation tax	-	-	146	55	55	55
Amounts issued from the Consolidated Fund for Supply but not spent at year end	140,695	140,695	140,695	33,541	33,541	33,541
Consolidated Fund extra receipts due to be paid to the Consolidated Fund						
Received	2,790	2,790	2,790	58	58	58
Receivable	-	-	-	2,729	2,729	2,729
	391,680	**577,990**	**1,556,613**	**273,811**	**278,058**	**400,108**

19.2 Intra-Government balances - Group

	2012-13 £000	2011-12 £000
Balances with other central Government bodies	662,405	120,213
Balances with local authorities	249,135	116,970
Balances with NHS Trusts	12	23
Balances with public corporations and trading funds	1,049	647
Intra-Government balances	**912,601**	**237,853**
Balances with bodies external to government	644,012	162,255
	1,556,613	**400,108**

20. NON-CURRENT LIABILITIES

20.1 Analysis by type

			2012-13			2011-12
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Deferred capital grant	-	-	-	-	-	563
Loans payable	-	-	20,012	-	-	-
Finance leases	-	-	6,928	-	-	-
Other creditors	-	-	15,711	-	-	-
	-	**-**	**42,651**	**-**	**-**	**563**

20. NON-CURRENT LIABILITIES (continued)

20.2 Intra-Government balances – Group

	2012-13 £000	2011-12 £000
Balances with other central Government bodies	5,336	563
Balances with local authorities	20,043	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
Intra-Government balances	**25,379**	**563**
Balances with bodies external to government	17,272	-
	42,651	**563**

21. PROVISIONS FOR LIABILITIES AND CHARGES

21.1 Analysis

			2012-13			2011-12
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Balance at 1 April 2012	92,037	92,037	130,842	36,427	36,427	55,549
Transferred in from:						
NDPBs	26,325	34,104	-	-	-	-
Conversion of AT schools:						
In-year conversion	-	-	-	-	-	-
Pre-1 April 2012 conversions	-	-	1,045	-	-	-
Provided for in year	102,779	103,979	106,320	80,270	80,270	103,341
Provisions not required and written back	(8,581)	(9,990)	(10,992)	(3,140)	(3,140)	(6,643)
Provisions utilised in year	(35,566)	(38,958)	(39,732)	(22,311)	(22,311)	(30,077)
Pension liabilities transferred to provision	-	-	-	-	-	7,880
Borrowing costs (unwinding of discounts)	750	750	750	767	767	768
Change in discount rate	5,496	5,496	5,496	24	24	24
Balance at 31 March 2013	**183,240**	**187,418**	**193,729**	**92,037**	**92,037**	**130,842**

21. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

21.2 Analysis of expected timing of discounted flows

	2012-13			2011-12		
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Not later than one year	21,979	26,157	30,177	23,694	23,694	47,575
Later than one year and not later than five years	55,312	55,312	57,156	67,189	67,189	79,566
Later than five years	105,949	105,949	106,396	1,154	1,154	3,701
Balance as at 31 March 2013	**183,240**	**187,418**	**193,729**	**92,037**	**92,037**	**130,842**

21.3 Maturity analysis - Group

	Early Departure Costs £000	Retirement Compens'n £000	Property Provision £000	Others £000	Total £000
Not later than one year	6,448	12,196	3,511	8,022	30,177
Later than one year and not later than five years	10,668	43,406	2,456	626	57,156
Later than five years	1,820	104,363	213	-	106,396
	18,936	**159,965**	**6,180**	**8,648**	**193,729**

21.4 Analysis by provision type – Group

	Early Departure Costs £000	Retirement Compens'n £000	Property Provision £000	Others £000	Total £000
Balance at 1 April 2012	25,050	68,012	19,638	18,142	130,842
Transferred in on conversion of AT schools:					
Pre-1 April 2012 conversions	-	204	-	841	1,045
Provided for in year	1,203	100,061	902	4,154	106,320
Provisions not required and written back	(1,199)	(28)	(8,902)	(863)	(10,992)
Provisions utilised in year	(6,574)	(13,752)	(5,780)	(13,626)	(39,732)
Borrowing costs (unwinding of discounts)	428	-	322	-	750
Change in discount rate	28	5,468	-	-	5,496
Balance at 31 March 2013	**18,936**	**159,965**	**6,180**	**8,648**	**193,729**

As a result of HMT's change of methodology for determining discount rates applied to provisions, the Group has changed the rates applied to provisions.

The real discount rate applied to cash flows of short term (0-5 years) general provisions is -1.80%, -1.00% for medium term general provisions (between 5 and 10 years) and 2.20% for long term general provisions (more than 10 years). Early departure costs provisions are discounted at 2.35% (2011-12: 2.80%). This change was applied as of 31 March 2013.

Early departure costs
The Group 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 Group provides for this in full when the early retirement programme becomes binding on the Group by establishing a provision for the estimated payments.

21. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

21.4 Analysis by provision type – Group (continued)

Early departure costs (continued)
NCSL participated in a defined benefit pension scheme providing benefits based upon pensionable salary. The scheme is part of the Nottinghamshire County Council Pension Fund (NCCPF) which is administered under the statutory framework of the Local Government Pension Scheme. Following its closure, scheme members were given the option to keep accrued pension up to 31 March 2012 in NCPFF or transfer it to PCSPS. The Group provided for this transfer cost in its financial statement in 2012. The provision has been increased as at 31 March 2013 to take into account market fluctuations and details about which staff have already opted to transfer their accrued benefits, as well as the partial payment that the Group made in order to minimise future value changes

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

Retirement compensation
In 2011-12 an estimated provision was created in relation to the premature retirement compensation of teaching staff of ex-Grant Maintained Schools and Colleges and pension payments relating to the staff of former Departmental bodies (Schools Council, Training Commission and NDPBs). In 2012-13 the Group has undertaken a full review of these pension liabilities, resulting in an increase in the provision. The revised provision was calculated using data supplied by both Capita Business Services Limited for teachers' pensions and Equiniti Paymaster for former departments and NDPBs. The calculation was based on the average life expectancy for men and women as detailed by ONS.

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. The provision is based on the anticipation that the property leases for buildings used by NDPBs will expire in 2015, and the anticipated disposal for the last Training and Enterprise Council property will be in 2018.

Other provisions
'Other provisions' includes various different categories of provisions held by the Group. The Group has created a provision as a result of the finding of a Judicial Review into European School Teachers relating to promotion and retirement rights. The Judicial Review created an obligation for the Group to make these payments to European School Teachers. Details of other provisions held by the EAs and NDPBs can be found in their individual ARAs.

22. PENSION SCHEME DISCLOSURES

Amounts recognised in the financial statements in respect of the various defined pension benefit schemes are set out in the tables below. The revised IAS 19 has been used to value the AT LGPS valuation; whilst the CAFCASS expsoure has used the existing IAS 19. The revsied IAS 19 will be used in 2013-14 for the CAFCASS valuation.

			2012-13				2011-12
	LGPS				LGPS		
	Academy Trusts £000	CAFCASS £000	Total £000	Becta £000	CAFCASS £000	NCSL £000	Total £000
Analysis of amounts charged to Statement of Comprehensive Net Expenditure							
Current service cost	283,966	10,514	294,480	-	10,636	1,531	12,167
Past service cost	331	47	378	-	662	-	662
Loss/(gain) on curtailments and settlements	294	-	294	-	-	813	813
	284,591	**10,561**	**295,152**	**-**	**11,298**	**2,344**	**13,642**
Analysis of amounts charged to interest payable							
Expected return on scheme assets	(77,322)	(20,189)	(97,511)	-	(21,166)	(2,598)	(23,764)
Interest on scheme liabilities	155,620	20,531	176,151	-	20,468	2,037	22,505
Net (benefit)/cost	**78,298**	**342**	**78,640**	**-**	**(698)**	**(561)**	**(1,259)**
Analysis of amounts recognised in other comprehensive expenditure							
Total actuarial losses/(gains)	(43,034)	23,771	(19,263)	-	(18,301)	(9,258)	(27,559)
Actuarial loss/(gain) recognised in other comprehensive expenditure	**(43,034)**	**23,771**	**(19,263)**	**-**	**(18,301)**	**(9,258)**	**(27,559)**
Amounts recognised in the Statement of Financial Position							
Fair value of scheme assets	2,199,131	334,638	2,533,769	-	287,206	39,367	326,573
Present value of defined benefit obligations	(4,110,430)	(505,406)	(4,615,836)	-	(435,173)	(47,247)	(482,420)
	(1,911,299)	(170,768)	(2,082,067)	-	(147,967)	(7,880)	(155,847)
Transferred to Provisions	-	-	-	-	-	7,880	7,880
Pension liabilities recognised in the Statement of Financial Position	**(1,911,299)**	**(170,768)**	**(2,082,067)**	**-**	**(147,967)**	**-**	**(147,967)**

22. PENSION SCHEME DISCLOSURES (continued)

	2012-13			2011-12			
	LGPS				LGPS		
	Academy Trusts £000	CAFCASS £000	Total £000	Becta £000	CAFCASS £000	NCSL £000	Total £000
Movement in the present value of defined benefit obligations							
At 1 April 2012	-	435,173	435,173	36,826	406,741	36,408	479,975
Current service cost	283,966	10,514	294,480	-	10,636	1,531	12,167
Interest on obligations	155,620	20,531	176,151	-	20,468	2,037	22,505
Actuarial loss	114,492	46,343	160,835	-	2,649	7,580	10,229
Past service cost	331	47	378	-	662	-	662
Losses on curtailments	294	-	294	-	-	813	813
Gains on settlement	-	-	-	(4,229)	-	-	(4,229)
Liabilities assumed on business combinations for:							
pre-1 April 2012 conversion of Academy Trust schools	2,512,805	-	2,512,805	-	-	-	-
in-year conversion of Academy Trust schools	975,945	-	975,945	-	-	-	-
Employee contributions	79,558	3,651	83,209	-	3,946	546	4,492
Benefits paid	(12,581)	(10,853)	(23,434)	-	(9,929)	(1,668)	(11,597)
Offset from fair value of scheme assets	-	-	-	(32,597)	-	-	(32,597)
At 31 March 2013	**4,110,430**	**505,406**	**4,615,836**	**-**	**435,173**	**47,247**	**482,420**
Movement in the fair value of the scheme assets							
At 1 April 2012	-	287,206	287,206	32,597	276,192	38,048	346,837
Expected return on scheme assets	77,322	20,189	97,511		21,166	2,598	23,764
Employer contributions	250,848	11,873	262,721		11,483	1,521	13,004
Employee contributions	79,558	3,651	83,209		3,946	546	4,492
Contributions in respect of unfunded benefits	-	-	-	-	-	-	-
Actuarial gain/(loss)	157,526	22,572	180,098		(15,652)	(1,678)	(17,330)
Benefits paid	(12,581)	(10,853)	(23,434)		(9,929)	(1,668)	(11,597)
Assets acquired on business combinations for:		-					
pre-1 April 2012 conversion of Academy Trust schools	1,246,574	-	1,246,574	-	-	-	-
in-year conversion of Academy Trust schools	399,884	-	399,884	-	-	-	-
Offset against defined benefit obligations	-	-	-	(32,597)	-	-	(32,597)
At 31 March 2013	**2,199,131**	**334,638**	**2,533,769**	**-**	**287,206**	**39,367**	**326,573**

22. PENSION SCHEME DISCLOSURES (continued)

	2012-13			2011-12			
	LGPS				LGPS		
	Academy Trusts £000	CAFCASS £000	Total £000	Becta £000	CAFCASS £000	NCSL £000	Total £000
Reconciliation of deficit/(surplus)							
At 1 April 2012	-	147,967	147,967	4,229	130,549	(1,640)	133,138
Current service cost	283,966	10,514	294,480	-	10,636	1,531	12,167
Employer contributions	(250,848)	(11,873)	(262,721)	-	(11,483)	(1,521)	(13,004)
Unfunded pension payments	-	-	-	-	-	-	-
Past service cost	331	47	378	-	662		662
Other finance income	78,298	342	78,640	-	(698)	(561)	(1,259)
Settlements	-	-	-	(4,229)	-	-	(4,229)
Curtailments	294	-	294	-	-	813	813
Actuarial losses/(gains)	(43,034)	23,771	(19,263)	-	18,301	9,258	27,559
Transfer in for in-year conversion of							
pre-1 April 2012 conversion of Academy Trust schools	1,266,231	-	1,266,231	-	-	-	-
in-year conversion of Academy Trust schools	576,061	-	576,061	-	-	-	-
	1,911,299	170,768	2,082,067	-	147,967	7,880	155,847
Transferred to provisions	-	-	-	-	-	(7,880)	(7,880)
At 31 March 2013	**1,911,299**	**170,768**	**2,082,067**	**-**	**147,967**	**-**	**147,967**

22. PENSION SCHEME DISCLOSURES (continued)

22.1 Local Government Pension Scheme (LGPS)

The Group is involved with the LGPS in two ways; non-teaching staff at ATs and some CAFCASS staff are members of the scheme. The LGPS is a single national scheme that is administered at a local level by fund units that in many, but not all, cases approximate local authorities. Whilst the scheme is national, benefits are accrued at the local fund level.

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

The four LGPS actuaries (AON Hewitt; Barnett Waddingham, Hymans Robertson and Mercer) carried out IAS19 valuations for the Group as at 31 March 2013.

The employer pension contribution for 2012-13 is £262.7m (2011-12: £13.0m), the difference in the two years is due to the inclusion of ATs within the Group in 2012-13.

The major categories of plan assets and expected return as a percentage of total plan assets are as follows

		2012-13		2011-12
	Academy Trusts Asset split	CAFCASS Asset split	Academy Trusts Asset split	CAFCASS Asset split
Equities	66.9%	70.9%	68.5%	70.1%
Gilts	8.9%	12.4%	9.5%	13.5%
Corporate bonds	9.7%	6.0%	8.6%	5.2%
Property	7.2%	3.3%	7.7%	3.8%
Cash/liquidity	2.8%	2.9%	3.3%	1.9%
Other	4.5%	4.5%	2.4%	5.5%
	Expected return	**Expected return**	**Expected return**	**Expected return**
Equities		7.8%		8.1%
Gilts		2.8%		3.1%
Corporate bonds		3.8%		3.7%
Property		7.3%		7.6%
Cash/liquidity		0.9%		1.8%
Other		7.8%		8.1%

The changes within the revised IAS 19 used to calculate the ATs' LGPS pension removes the use of separate asset returns. Instead the discount rate is applied as the asset return.

ATs are spread across over more than 120 local LGPS funds, with each fund having their own expectation of appropriate asset returns. In addition assets returns may also vary within a fund depending upon the assets allocated to an employer. Consequently the Group feels it is disingenuous to include aggregate asset returns in the table above. The CAFCASS employer LGPS sits wholly within the Nottingham County Council Pension Fund unit and its expected asset returns are firmer.

22. PENSION SCHEME DISCLOSURES (continued)

22.1 Local Government Pension Scheme (LGPS) (continued)

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 scheme's obligations, which are derived from cash flow projections over long periods and are thus inherently uncertain.

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Defined benefit obligations	(4,615,826)	(435,173)	(406,741)	(430,526)	(275,194)
Scheme assets	2,533,767	287,206	276,192	227,611	162,879
Deficit	(2,082,059)	(147,967)	(130,549)	(202,915)	(112,315)
Experience gains/(losses) on liabilities	395	(2,124)	(6,711)	1,276	39,405
Experience gains/(losses) on assets	91,945	(15,652)	20,673	45,884	(53,167)

Actual return on assets

			2012-13	2011-12
	Academy Trusts £000	CAFCASS £000	Total £000	Total £000
Expected return on assets	77,322	20,189	97,511	21,166
Actuarial gain/(loss) on assets	157,524	22,572	180,096	(15,652)
Actual return on assets	**234,846**	**42,761**	**277,607**	**5,514**

The major financial assumptions used in the valuation were

		2012-13		2011-12
	Academy Trusts	CAFCASS	Academy Trusts	CAFCASS
Rate of inflation	2.7%	2.7%	2.5%	2.5%
Expected return on plan assets	4.5%	6.7%	4.8%	7.1%
Rate of increase in salaries	4.3%	3.6%	4.8%	3.5%
Rate of return on pensions	2.7%	2.7%	2.5%	2.5%
Discount rate	4.5%	4.3%	4.8%	4.7%

The assumptions used by the actuaries are chosen from a range of possible actuarial assumptions, which due to the timescales covered may not be borne out in practice. Assumptions are set at the local fund level; which in the case of CAFCASS is the West Yorkshire Pensions Fund, for ATs it involves all English LGPS funds. The assumptions used in valuing the AT benefits have been standardised across all funds and all four actuaries in order to produce valuations that can be aggregated into a single set of disclosures.

Assumptions used in valuing inherited LGPS benefits for ATs whose schools convert in-year are set at appropriate values for the date of conversion. Closing valuations as at 31 March 2013 will use the assumptions disclosed in the table above.

The ATs assumptions dated 31 March 2012 were used by the actuaries to value the LGPS benefits acquired by the Group through the business combination as at 1 April 2012.

22. PENSION SCHEME DISCLOSURES (continued)

22.1 Local Government Pension Scheme (LGPS) (continued)

Analysis of amounts recognised in Other Comprehensive Expenditure

	2012-13 £000	2011-12 £000	2010-11 £000	2009-10 £000	2008-09 £000
Difference between the expected and actual return on scheme assets	22,572	(15,652)	20,673	45,884	(53,167)
Percentage of scheme assets	7%	5%	7%	20%	(33%)
Experience gains and losses on scheme liabilities	(46,343)	(2,649)	17,421	(128,483)	39,405
Percentage of present value of the scheme liabilities	9%	1%	4%	(30%)	14%
Changes in assumption	-	-	-	-	-
Total amount recognised in Other Comprehensive Expenditure	**(23,771)**	**(18,301)**	**38,094**	**(82,599)**	**(13,762)**
Percentage of present value of scheme liabilities	**(5%)**	**(4%)**	**9%**	**(19%)**	**5%**

Sensitivity analysis

	2012-13 LGPS Academy Trusts £000
Impact on the ATs' defined benefit obligation for changes in:	
Discount rate:	
+1.0%	(895,805)
-1.0%	1,147,473
Mortality rate:	
1 year increase	114,691
1 year decrease	(112,038)
CPI rate:	
+1.0%	667,988
-1.0%	(529,371)

A sensitivity analysis for CAFCASS as at 31 March 2013 has not been presented owing to an omission in the actuarial report.

The IASB has issued revisions to IAS19 which are not yet effective, and which will be implemented in the 2013-14 FReM. As explained in note 1.5 the Group has early adopted the changes in valuing the LGPS deficit arising from non-teaching staff in Group schools. Due to value for money considerations the Group has not valued the ATs' element of the LGPS using the existing IAS 19 as the Group felt that this duplicated the existing valuations.

The Group has not early adopted the revisions in valuing the CAFCASS LGPS deficit, the expected impact of which is as follows:

	IAS19 £000	IAS19 revised £000	Increase to cost £000
Net finance cost	342	6,598	(6,256)
In year service cost	(1,310)	(762)	(548)
Impact on Statement of Comprehensive Net Expenditure	**(968)**	**5,836**	**(6,804)**

22. PENSION SCHEME DISCLOSURES (continued)

22.1 Local Government Pension Scheme (LGPS) (continued)

The change in the finance cost is due to change in the assumption used to calculate the expected return under the current IAS19, expected rate of return is calculated using the actual plan assets held.

The in-year service cost under the revised IAS19 will include the finance cost or interest that relates to the pension service.

The net impact above will result in an increase to cost of £6.8m in 2013-14 accounts.

23. CAPITAL AND OTHER COMMITMENTS

23.1 Capital commitments

Contracted and approved commitments at 31 March not otherwise included in these financial statements:

			2012-13			2011-12
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Property, plant and equipment	29	295,946	697,968	-	-	26
Intangible assets	1,098	1,098	1,098	936	936	974
Balance as at 31 March 2013	**1,127**	**297,044**	**699,066**	**936**	**936**	**1,000**

The majority of capital commitments relate to ATs' projects managed by the Group. These capital commitments do not include the cost of contingent workers engaged in the delivery of the AT programme.

23.2 Commitments under leases

Operating leases

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

			2012-13			2011-12
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Land and buildings						
Not later than one year	13,340	13,340	39,575	24,135	24,135	31,445
Later than one year and not later than five years	45,860	45,860	139,119	69,624	69,624	86,713
Later than five years	21,045	21,045	267,255	10,625	10,625	29,007
	80,245	**80,245**	**445,949**	**104,384**	**104,384**	**147,165**
Expected receipts from sub-leases	(3,445)	(3,445)	(3,445)	(5,210)	(5,210)	(5,210)
	76,800	**76,800**	**442,504**	**99,174**	**99,174**	**141,955**
Other						
Not later than one year	68	68	275,922	64	64	989
Later than one year and not later than five years	-	-	381,900	-	-	244
Later than five years	-	-	26,015	-	-	-
Balance as at 31 March 2013	**68**	**68**	**683,837**	**64**	**64**	**1,233**

23. CAPITAL AND OTHER COMMITMENTS (continued)

23.2 Commitments under leases (continued)

Finance leases

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

			2012-13			2011-12
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Land and buildings						
Not later than one year	-	-	310	-	-	-
Later than one year and not later than five years	-	-	616	-	-	-
Later than five years	-	-	2,446	-	-	-
	-	**-**	**3,372**	**-**	**-**	**-**
Expected receipts from sub-leases	-	-	-	-	-	-
	-	**-**	**3,372**	**-**	**-**	**-**
Other						
Not later than one year	-	-	3,641	-	-	-
Later than one year and not later than five years	-	-	4,448	-	-	-
Later than five years	-	-	-	-	-	-
Balance as at 31 March 2013	**-**	**-**	**8,089**	**-**	**-**	**-**

23.3 Obligations under PFI contracts

			2012-13			2011-12
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Not later than one year	-	-	25,597	-	-	-
Later than one year and not later than five years	-	-	100,412	-	-	-
Later than five years	-	-	512,334	-	-	-
Balance as at 31 March 2013	**-**	**-**	**638,343**	**-**	**-**	**-**

23.4 Other financial commitments

			2012-13			2011-12
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Non-cancellable contracts						
Not later than one year	-	-	15,391	-	-	7,640
Later than one year and not later than five years	-	-	31,994	-	-	28,651
Later than five years	-	-	22,618	-	-	-
Balance as at 31 March 2013	**-**	**-**	**70,003**	**-**	**-**	**36,291**

CAFCASS has signed a seven-year contract with Fujitsu to provide an integrated information and communication technology service across the organisation. The Flex shared service solution includes a refresh of hardware after four years.

24. NON-IAS37 CONTINGENT LIABILITIES

24.1 Quantifiable

The Group 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 judged to be too remote.

	1 April 2012 £000	Increase in year £000	Liabilities crystallised in year £000	Obligations expired in year £000	31 March 2013 £000	Amount reported to Parliament by Depart'al minute £000
In respect of PFI contracts to Academy Trusts	2,100,000	-	-	-	2,100,000	2,100,000
Free Schools Group for Principal designates	1,115	959	(66)	(1,145)	863	-
In respect of lease arrangement with Tottenham Hotspur Property Company	-	12,500	-	-	12,500	-
Kent County Council for Duke of York Royal Military School	-	5,000	-	-	5,000	-
In respect of commercial lease of Free Schools Norwich	-	110	-	-	110	-
In respect of liabilities that arise from Commercial/ EPC staff	59	-	-	-	59	-

PFI contracts
The contingent liability relating to ATs arose in connection to Private Finance Initiative (PFI). These contingent liabilities are the result of the Group, acting as an agent to the Secretary of State, agreeing to provide an indemnity to the local authority for potential costs on buildings they own, with existing PFI arrangements, which will be used by the ATs. This type of indemnity is considered low risk and is only a feature of the ATs programme in very specific circumstances. The contingent liabilities only arise where an AT is using local authority building with an existing PFI contract

Free Schools Group for Principal designates
The contingent liability recorded by Free School Group currently relates to the potential costs that may be 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 Group 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.

Guarantee provided to Tottenham Hotspur Property Company
The contingent liability is in relation to a commercial lease arrangement for an AT site.

Indemnity provided to Kent County Council
The contingent liability is for any unforeseen liability to the contractor in respect of contamination, defect or asbestos presence at the Duke of York Royal Military school site.

Free School Norwich
The contingent liability that would arise from the re-instatement cost of the school building to its original condition.

All of the above relate to ATs. They were provided by the Secretary of State to assist the conversion from the maintained sector to the academy sector.

24. NON-IAS37 CONTINGENT LIABILITIES (continued)

24.1 Quantifiable (continued)

Commercial/EPC staff
Liabilities that arise from the Group staff who have been made redundant and may seek redress through an employment tribunal. Negotiations have taken place with the remaining staff and a lower offer than originally agreed has been made. The offer will remain open.

24.2 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.

The Department has also provided an indemnity amounting to £0.75m to Hawthorne's Academy Trust for any compensation awarded by employment tribunal claims against the AT, based on the AT and Sefton Metropolitan Borough Council's refusal to apply TUPE to employees of the predecessor school. The Department has indemnified the AT for all reasonably incurred legal costs and other costs, such as liability to pay compensation.

24.3 Contingent assets

Fujitsu have committed to providing CAFCASS with £0.4m of additional service development work in 2013-14, for which CAFCASS will not be charged. CAFCASS currently recognise this as a contingent asset that will crystallise at a future date.

25. LOSSES AND SPECIAL PAYMENTS

25.1 Losses statement

The total of all losses that have been recognised this year is as follows:

			2012-13			2011-12
	Department	Department & Agencies	Group	Department	Department & Agencies	Group
Total number of cases	78	129	204	88	88	185
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cash losses	13	1,793	3,451	42	42	268
Fruitless payments and constructive losses	12,295	12,431	12,510	595	595	7,049
Claims waived or abandoned	-	25	83	1	1	194
Administration losses	-	-	36	-	-	1,789
	12,308	**14,249**	**16,080**	**638**	**638**	**9,300**

Included within fruitless payments and constructive losses is £11.8m; a write-off that relates to Teachers' TV (TTV), which was a website and television channel that provided support materials for people working in education in the UK. The TTV channel was closed in 2010 and, although this has not affected the availability of the programmes on line, it has significantly reduced the value of the asset to the Group. A decision was taken in 2012-13 to write off the remaining carrying value of the asset to reflect the impairment resulting from the closure of the TV channel.

46 cases of the cash losses have arisen due to the clawback of funds for under performance as part of normal independent private provider funding (IPP) contract arrangements. Regular reconciliations, comparing profile payments to actual sums earned are undertaken on funding agreements to minimise the risk of potential loss. Recoveries are, where possible, offset against future profiled payments. However, debts can arise where the remaining funding agreement value is not sufficient to cover the reconciliation sum. In these cases the provider is issued with an invoice for any outstanding balance. In the case of the losses identified, two IPPs have gone into liquidation owing £565,000 and £535,000. The liquidators have confirmed there is little prospect of recouping the funds.

25. LOSSES AND SPECIAL PAYMENTS (continued)

25.1 Losses statement (continued)

During the year, Haberdasher's Aske's Federation Trust discovered an irregularity that had resulted in financial loss over a number of years. The AT has not quantified the precise sum. The EFA group has recognised in the table above £1,962,000 noted in the AT's ARAs for 2011-12 and 2010-11.

After the Group's year-end, another AT suffered a loss as a result of the misdirection of a payment to the wrong bank account. The incident is currently the subject of legal proceedings. The loss is estimated at £1,100,000. This is not included in the table above as it did not arise in 2012-13 but is reported here to comply with the Group's duty to bring losses to the attention of Parliament at the earliest opportunity. The final loss will be reported in the Group's 2013-14 ARA, assuming the investigation and legal proceedings are completed by then.

25.2 Special payments

			2012-13			2011-12
	Department	Department & Agencies	Group	Department	Department & Agencies	Group
Total number of cases	36	40	84	36	36	40
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
	3,077	**3,158**	**3,918**	**49**	**49**	**523**

Details of cases over £250,000
A payment of £2.8m has been made in respect of a former NDPB of the Group (pre-1999), Centre for Information on Language Teaching and Research (CILT). This relates to the pension deficit of the CILT estate, £2.7m and four employees £149,000. The Group agreed to make this one off payment following legal advice and lengthy discussions based on the facts of the case.

25.3 Gifts

			2012-13			2011-12
	Department	Department & Agencies	Group	Department	Department & Agencies	Group
Total number of cases	71	71	71	6	6	7
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
	294	**294**	**294**	**5**	**5**	**53**

Details of gifts over £250,000
Following the Cabinet Office review of Arm's Length Bodies, the Group agreed to recommendations that the Schools Food Trust (SFT) should cease to operate as an NDPB, but would move to the private sector where it would continue to operate as a charity and a not-for-profit organisation. On 1 October 2011, the transition was completed, and the SFT was disbanded as an NDPB. The Group gifted £285,000 to SFT; the amount represents SFT's net assets on that date. The Group has received retrospective approval from HMT on the gifting of this asset.

26. RELATED PARTY TRANSACTIONS

The Department is the parent of the EAs and sponsor of the NDPBs and ATs shown in note 27. These bodies are regarded as related parties with which the Department has had various material transactions during the year. These are mainly financing to the EAs, payments for grants in aid to the NDPBs and payments for grants to the ATs. All such transactions have been eliminated during the preparation of these consolidated accounts.

26. RELATED PARTY TRANSACTIONS (continued)

In addition, the 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 Business, Innovation and Skills; the Department for Communities and Local Government; Department for Culture, Media & Sport; Ministry of Justice and local authorities. The Department also makes pension contributions into public sector pension schemes including the PCSPS, LGPS and TPS.

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 a former Minister who had responsibilities in BIS.
- Matthew Hancock is a Minister with responsibilities in BIS.
- David Laws is a Minister with responsibilities in the Cabinet Office.
- Lord Nash, a former non-executive director was a director and shareholder of Softcat, an IT provider in the education and government sectors.
- Theodore Agnew is a trustee of New Schools Network, which supports groups setting up Free Schools.
- Sue John is a board member and trustee of Teaching Leaders (who develop middle leaders in challenging schools), a board member and trustee of Future Leaders Project Board (developing future school leaders), director and trustee of the London Leadership Strategy (helping school improvement and leadership skills) and senior partner and trustee of the Challenger Partnership Charitable Trust (improving schools through collaboration).
- Tom Jeffrey's wife is the Assistant Director of Children's Services for East Sussex County Council.

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

	2012-13 Payments £000	2012-13 Receipts £000	2011-12 Value of Transaction £000
East Sussex County Council	352,595	-	331,577
Department for Business, Innovation & Skills	689,775	(1,655)	745,694
New School Network	561	-	469
Teaching Leaders	2,636	-	1,672
Future Leaders Charitable Trust	66		4,396
Softcat	138	-	-

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

27. ENTITIES WITHIN THE GROUP BOUNDARY

27.1 Closing position

The entities within the Group during 2012-13 were as follows:

Executive Agency:

- Education Funding Agency (EFA) from 1 April 2012;
- National College for Teaching and Leadership from 29 March 2013; which was itself the creation of the merger of two new executive agencies both created 1 April 2012:
  - Teaching Agency; and
  - National College;
- Standards and Testing Agency (STA) from 1 September 2011

27. ENTITIES WITHIN THE GROUP BOUNDARY (continued)

27.1 Closing position (continued)

Executive NDPB:
- Children and Family Court Advisory and Support Service (CAFCASS)
- Office of the Children's Commissioner (OCC)

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

Advisory NDPB:
- School Teachers' Review Body (STRB)
- Social Mobility and Child Poverty Commission (SMCPC)

Other:
Academy Trusts operational as of 31 March 2013 (as established under *Education Act 2010*). A list of all operational ATs, and the schools they operate, is available on https://www.gov.uk/government/collections/dfe-annual-reports.

27.2 Movements from last year

The Department closed or abolished the following seven NDPBs on 31 March 2012:

- Children's Workforce Development Council (CWDC)
- General Teaching Council for England (GTCE)
- National College for Schools Leadership (NCSL)
- Partnership for Schools (PfS)
- Quality and Curriculum Development Agency (QCDA)
- Training and Development Agency (TDA)
- Young People's Learning Agency (YPLA)

The functions of the above bodies either ceased or were transferred to the Department or to its other EAs on 1 April 2012.

The *Education Act 2011* abolished the GTCE, QCDA, TDA and YPLA. The assets and liabilities belonging to the four bodies were transferred to the Group under property transfer schemes and no further formal action was required to close the bodies, apart from the QCDA's subsidiary, QCDAe.

NDPBs that were limited companies, CWDC, NCSL, PfS and QCDAe, went into member's voluntary liquidation. The boards of the companies appointed liquidators and assets and liabilities were transferred under deeds of assignment. The Department has a liaison role with the liquidators to help ensure all the remaining matters are dealt with prior to the companies' formal closure and de-registration at Companies House.

In their places, the following EAs were formed:

- Teaching Agency (TA)
- National College (NC)
- Education Funding Agency (EFA)
- Standards and Testing Agency (STA) (formed on 1 October 2012)

The activities of the NCSL were transferred into the new EA, the National College. The activities include the development of a national network of Teaching Schools, designating national and local leaders of education and the move to license school-led partnerships to offer leadership development and qualification.

27. ENTITIES WITHIN THE GROUP BOUNDARY (continued)

27.2 Movements from last year (continued)

The TA was responsible for:

- the recruitment and supply of initial training and development of teachers (a responsibility formerly carried out by the TDA);
- supporting the recruitment and development of early education and childcare workers, SEN and co-ordinators and educational psychologist (formerly the functions of CWDC);
- overseeing the regulation of conduct of teachers (functions of GTCE) .
- supporting exam officers and managing the general qualification logistics.

During the year, the TA and the NC merged to form the National College for Teaching and Leadership (NCTL). It is a single agency, bringing together the work of the TA and the NC. It focusses on promoting high quality teaching and improving school leadership.

The functions of YPLA which funded the education and learner support of all young people and PfS, which was responsible for delivering the Academies and Building Schools for the Future (BSF) programmes, were transferred to the EFA.

The exam administration functions of the QCDA are now performed by the NCTL.

28. EVENTS AFTER THE REPORTING PERIOD

The Group made an announcement on the future of its estate on 24 April 2013, as a result of its review on its on-going commitment to reduce its costs and secure value for money for the taxpayer. The Group will close its Runcorn site, Castle View House, by April 2014 and move staff to the Piccadilly Gate building in Manchester. The Group will also be vacating its smaller sites in Guildford, Histon and Bristol in April 2014. Staff on these sites have been given the options to relocate, apply for Voluntary Early Release (VER) or seek re-deployment opportunities within the Civil Service. The Group will vacate its site in Mowden Hall but stay in Darlington. The Ruddington site in Nottingham will also close in 2014 and all Nottingham-based staff will be based at the Triumph Road site. The total forecast costs (including asset impairment charges) for these changes are £11.7m.

ATs have continued to be incorporated and open new academy schools throughout the period from the year end to the date of these accounts. The link in note 27 includes all new ATs as well as those operational as at the year end.

These accounts were authorised for issue on 14 January 2014 by Chris Wormald (Accounting Officer). With the exception of the above, there have not been any other post reporting period events that have required adjustment to these accounts.

29. TRANSFER OF ACADEMY TRUST SCHOOLS

	Pre-1 April 2012 Convertors		In year Convertors		2012-13
	Local Authority £000	Non-local Authority £000	Local Authority £000	Non-local Authority £000	Total £000
Non-current assets					
Property, plant and equipment	14,365,595	3,284,465	6,586,212	1,465,630	25,701,902
Intangible assets	720	21	536	78	1,355
Investments	34,125	7,483	-	5	41,613
Trade and other receivables	2,029	475	-	-	2,504
Current assets					
Inventories	2,682	628	113	25	3,448
Trade and other receivables	186,449	43,687	33,685	7,608	271,429
Cash and cash equivalents	748,806	175,452	106,867	24,135	1,055,260
Current liabilities					
Trade and other payables	(332,245)	(77,848)	(18,125)	(4,093)	(432,311)
Non-current liabilities					
Other payables	(15,359)	(3,599)	(8,173)	(1,846)	(28,977)
Provisions	(847)	(198)	-	-	(1,045)
Pension scheme deficit	(1,092,445)	(173,786)	(487,761)	(88,300)	(1,842,292)
Net asset transferred on conversion	**13,899,510**	**3,256,780**	**6,213,354**	**1,403,242**	**24,772,886**

	Pre-1 April 2012 Convertors		In year Convertors		2012-13
	Local Authority Number	Non-local Authority Number	Local Authority Number	Non-local Authority Number	Total Number
Number of Academy Trusts in population	**1,403**		**705**		**2,108**
Number of operational academy schools	**1,378**	**286**	**911**	**248**	**2,823**

On conversion of a school to academy status from a pre-existing school (such as a local authority maintained school, foundation school, faith school, etc.) the assets and liabilities of the school will be transferred at cost to the AT that operates the school. For academy schools without a legacy school (such as free schools and studio schools) assets and liabilities may be inherited by the AT from third parties such as sponsors.

In either case the AT, and ultimately the Group, will account for all inherited assets and liabilities introduced to the Group on the opening of an academy school under absorption accounting. New Group assets and liabilities are not revalued to fair value on introduction but carried at net book value. Land and building assets and pension scheme valuations are adjusted arising from harmonising accounting policies for new Group assets and liabilities,

During 2011-13 there were two routes for the Group to recognise new ATs: those pre-existing operational ATs as at 1 April 2012 and those ATs whose schools converted to academy status during the year. Whilst both methods of joining the group are technically business combinations since both involve new companies joining the Group, for the purposes of these accounts only the term ‘business combination‘ has been taken to mean only those pre-existing ATs that joined the Group as at 1 April 2012. ATs whose schools converted during the year are termed ‘in-year conversions’.

As of 31 March 2012 there were 1,403 ATs with 1,664 operational schools whose balances are classified as business combination balances. In-year conversions amounted to 705 new ATs incorporated and 1,159 new schools were opened across the full population of ATs. Since the year end a further 417 ATs have been incorporated, representing a further 918 schools, and will be included in next year’s accounts.

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