Department
for Education

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Department for Education

Department for Education

Consolidated annual report and accounts

For the year ended 31 March 2023

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

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

Ordered by the House of Commons to be printed on 18 July 2023

HC 1505

This is part of a series of departmental publications which, along with the Main Estimates 2022-23 and the document *Public Expenditure: Statistical Analyses 2021*, present the government's outturn for 2022-23 and planned expenditure for 2023-24.

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

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CORRECTION SLIP

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Session: 2022/2023

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Correction:

Page 352

Text currently reads:

Grants to Local Authority Schools via ESFA	3,404	2,068	2,022	2,603	2,578	2,683	2,729
Education and Skills Funding Agency	29,642	29,560	31,049	31,591	33,359	36,537	38,293

Text should read:

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Overview

This section sets out the Department for Education's (Department's) responsibilities, priority outcomes, key risks, the sectors we serve and how we performed during the year.

Our organisation

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

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

We work to provide children's services, education and skills training that ensures opportunity is equal for all, no matter background, family circumstances, or need.

We work closely with:

- childcare providers
- local authorities (LAs), academy trusts, further and higher education providers and children's services organisations
- professionals who work in education, children's services and health service sectors

Our vision

At our heart, we are the department for realising potential. We enable children and learners to thrive, protecting the vulnerable and ensuring the delivery of excellent standards of education, training and care. This helps realise everyone's potential – and that powers our economy, strengthens society, and increases fairness.

Our Departmental Outcome Delivery Plan sets out what we will do to drive economic recovery, improve educational standards across our country, give children the best start in life and level up opportunity for all.

Our priority outcomes

At Spending Review 2021 (SR21) we published our Priority Outcomes (POs), the underlying plans to deliver the outcomes and associated metrics which underpinned our strategic objectives in our 2021-22 Outcome Delivery Plan (ODP).[1] For 2022-23 our performance reporting is framed against these.

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

Priority Outcome 1:

Drive economic growth through improving the skills pipeline, levelling up productivity and supporting people to work

Director general sponsor: Julia Kinniburgh

Outcome strategies

- PO1-OS1 – Expand and raise the profile of technical and higher technical education
- PO1-OS2 – Boost skills of those at risk of unemployment due to the pandemic and drive growth in apprenticeship careers
- PO1-OS3 – Encourage world-class high-quality provision and streamlining funding and accountability
- PO1-OS4 – Increase the opportunities adults and young people have to access further education and higher education
- PO1-OS5 – Ensure higher education and technical education support the UK's economic need and improve outcomes for the individual

Performance indicators

- total number of starts, and total number and rate of achievements on apprenticeships (standards and frameworks)
- number of 19+ and 25+ further education and skills learners in the 20% most disadvantaged areas
- percentage of recent higher education graduates in high-skilled employment

Key achievements

We began working towards our new skills mission that by 2030 the number of people successfully completing high-quality skills training will have significantly increased in every area of the UK.

To achieve this, we:

- Received Royal Assent for the Skills and Post-16 Education Act in April 2022, which, among other things, put employer-led Local Skills Improvement Plans (LSIPs) on a statutory footing. LSIPs bring local businesses together to shape skills and training provision in their areas, in line with their current and future skills needs. The Act enshrines LSIPs in legislation so that Further Education (FE) colleges have a duty to respond to them when designing their provision.

- Continued to deliver apprenticeships as a core part of the government's skills agenda, helping to drive economic growth by improving the skills pipeline. Through the apprenticeship levy, we will increase investment in apprenticeships to £2.7 billion by 2024-25. We are continuing to improve quality to ensure more apprentices successfully complete their apprenticeships with at least two-thirds of apprentices achieving their apprenticeship standard by 2025 and by taking swift action where training quality is poor, supported by Ofsted inspecting all apprenticeship providers by 2025.
- Continued to roll out T Levels as a prestigious technical alternative to A Levels. T Levels help young people to develop foundational skills which will accelerate them towards getting the high-wage, high-skill jobs of the future. The first T Level cohort of students received their results in August 2022, with a strong overall pass rate of 92%.
- Increased the reach of our lifelong learning interventions by expanding the eligibility for the Free Courses for Jobs offer in April 2022, ensuring more adults could access the 400 plus qualifications available. The offer is proving popular, with 39,430 enrolments reported between April 2021 and January 2023. We have also exceeded our ambitious target of learner starts with 16,120 learners undertaking Skills Bootcamps training in 2021-22 and will be investing up to £584 million across 2022-25 to significantly expand Skills Bootcamps.
- Introduced the Lifelong Learning (Higher Education Fee Limits) Bill in February 2023, paving the way for the Lifelong Loan Entitlement (LLE) to be launched from 2025.

More performance analysis from page 60.

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Priority Outcome 2:

Level up education standards so that children and young people in every part of the country are prepared with the knowledge, skills and qualifications they need

Director general sponsor: Andrew McCully, and then Caroline Pusey and Heather McNaughton

Outcome strategies

- PO2-OS1 – Support children and young people to catch up on lost learning due to COVID-19 disruption
- PO2-OS2 – Raise the quality of teaching and leadership in all areas of the country
- PO2-OS3 – Support schools to deliver brilliant lessons for every child and provide support on discipline and behaviour
- PO2-OS4 – Raise school standards right across the country and support every school to join a strong family of schools, especially in areas where standards are weak
- PO2-OS5 – Help schools drive the best value from school funding

Performance indicators

- percentage of schools, further education and skills providers rated good or outstanding by Ofsted
- postgraduate initial teacher training (PGITT) applications compared to previous year
- PGITT starts by secondary and primary subjects compared to the target set using the teacher workforce model (TWM)
- percentage of young people attaining Level 3[2] qualifications by age 19
- disadvantage gap index (key stage 4) – national
- percentage of young people achieving GCSEs in English and mathematics by age 19
- percentage of pupils entered for all the English Baccalaureate (EBacc) suite of qualifications (national – all and for disadvantaged pupils)

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

Key achievements

We continued to focus on improving school standards, allowing every child in every part of the country to benefit from a great education.

To support children to recover from the pandemic, we have delivered over 3 million tutoring courses since the inception of the National Tutoring Programme (NTP) in 2020. We are providing over £1 billion in recovery premium funding for schools to support the most disadvantaged pupils in academic year (AY) 2022/23 and AY2023/24. This is alongside £2.6 billion of pupil premium funding provided in 2022-23.

To further raise the quality of teaching, we launched the National Institute of Teaching in September 2022, which has commenced delivery of the full suite of National Professional Qualifications (NPQs) and launched its National Leaders of Education programme. We have continued the rollout of the biggest teaching reform in a generation, the Early Career Teachers reforms, which provides a high-quality, evidence-based, two-year induction programme for new teachers. As of February 2023, over 22,000 funded NPQs have been started by teachers and leaders to enhance their knowledge of school leadership and specialist areas of teaching practice. Following the ITT reform accreditation process in 2022, 179 providers were successfully accredited to deliver ITT from 2024.

Every child should benefit from a broad, ambitious, knowledge-rich curriculum. Our curriculum subject hub programmes continue to support schools to deliver brilliant lessons for every child. Oak National Academy is now established as a non-departmental public body (NDPB) and will further support excellent teaching, as well as helping mitigate teacher workload pressures.

The 2022 Autumn Statement laid out a real-terms increase in per pupil funding from that committed at SR21. The core schools budget in England will receive £2.3 billion of additional funding in each of 2023-24 and 2024-25, enabling schools to continue to invest in high-quality teaching and to target additional support to the children who need it most.

More performance analysis from page 67.

Priority Outcome 3:

Support the most disadvantaged and vulnerable children and young people through high-quality local services so that no one is left behind

Director general sponsor: Indra Morris

Outcome strategies

- PO3-OS1 – Ensuring safe and loving homes
- PO3-OS2 – Promoting engagement and participation in education and training
- PO3-OS3 – Driving improvements in efficiency and effectiveness of local public services for children and young people

Performance indicators

- absence, persistent absence and absence for free school meals (FSM) and education health and care plans (EHCP) pupils
- absence for ‘children in need’
- percentage of alternative provision schools rated good or outstanding by Ofsted
- percentage of LAs with a written statement of actions (or equivalent) for special educational needs and disabilities (SEND) services issued by Ofsted
- percentage of LA SEND services with a written statement of actions (or equivalent) that are revisited and had made significant progress (or equivalent judgement)
- percentage of LAs rated inadequate for children’s social care (CSC)

Key achievements

We are committed to ensuring that vulnerable and disadvantaged children get the support they need and that we continue to increase system capacity and capability. This has been a significant year for our work to support disadvantaged and vulnerable children as we have announced ambitious and wide-ranging reforms in SEND and Alternative Provision (AP), and in CSC.

We published the SEND and Alternative Provision Improvement Plan[3] in March 2023 setting out government’s response to the SEND and AP Green Paper consultation, and our next steps on delivering systemic reform for the SEND and AP system. For the consultation, we received 6,000 written responses, attended 175 events and heard from approximately 4,500 people.

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

We published Stable Homes Built on Love: Implementation and Strategy[4] in February 2023. The strategy sets out a vision to rebalance children's social care away from costly crisis intervention to more meaningful and effective early support. It responds to the Independent Review of Children's Social Care, the Child Safeguarding Practice Review Panel's review into the deaths of Arthur Labinjo-Hughes and Star Hobson, and the Competition and Markets Authority review.

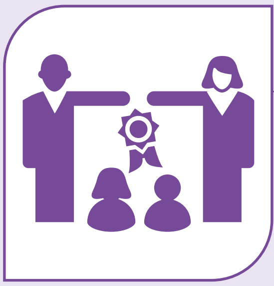
We launched three consultations in February 2023 on the priorities set out in the strategy, new rules for use of agency workers and a national framework for children's social care services.

We published Working Together to Improve School Attendance[5] in May 2022 with new stronger expectations on the system to support attendance and offer early intervention for those at risk of persistent absence.

We met our target of 10% or fewer LA children's services judged by Ofsted as Inadequate. We helped LAs to halve the number of Inadequate services, from 30 in April 2017 to 13 by March 2023.

More performance analysis from page 79.

4 https://www.gov.uk/government/consultations/childrens-social-care-stable-homes-built-on-love
5 https://www.gov.uk/government/publications/working-together-to-improve-school-attendance



Priority Outcome 4:

Provide the best start in life through high-quality early education and childcare to raise standards and help parents to work

Director general sponsor: Indra Morris

Outcome strategies

- PO4-OS1 – Maintaining sufficient local supply in the childcare market and maximising take up of the early education entitlements so that all young children can access high-quality early years provision.
- PO4-OS2 – Set up every child for success by increasing the proportion of children who achieve expected levels in communication and language, literacy and mathematics at age 5 and by ensuring high-quality, safe education and childcare throughout the COVID-19 pandemic and beyond for all children.

Performance indicators

- percentage of eligible children taking up the early education entitlements (15 hours for disadvantaged 2-year-olds, universal entitlement for 3- and 4-year-olds)
- percentage of registered early years settings rated good or outstanding by Ofsted

Key achievements

This year we have achieved:

- In the March 2023 Budget, we announced the extension of free childcare to support more parents returning to work after their parental leave ends. Parents of all children over the age of nine months will be entitled to free 30 hours of childcare. This is a transformational change that will make a difference to families across the country.
- We extended eligibility for the 15-hour 2-year-old early education entitlement to disadvantaged children in no recourse to public funds households. This means that more disadvantaged children have access to early education regardless of their parents' immigration status.
- The percentage of 3- and 4-year-olds registered for the 15-hour early education entitlement increased from 90% in 2021 to 92% in 2022. The number of 3- and 4-year-olds registered for the 30-hour entitlement is up 6% since 2021 at 348,100. Take up of the 2-year-old entitlement targeted at disadvantaged households increased from 62% in January 2021 to 72% in January 2022.

- In April 2022, we announced the 75 upper tier LAs eligible for the £300 million Family Hubs and Start for Life programme. This will enable LAs to create family hubs, and to improve vital services to give every baby the best start in life, including support for parenting, infant feeding, perinatal mental health and parent infant relationships. Family hubs are 'one stop shops' that make it easier for families to get the support they need. The hub approach means professionals and partners working together more effectively, with a focus on supporting and strengthening the family relationships that carry us all through life. They bring together a range of services for children of all ages (0-19, or 25 with SEND), with a great Start for Life offer at their core. We also announced the 12 LAs that were successful in their bid to the £12 million Family Hubs Transformation Fund.

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- We delivered the Early Years Education Recovery programme, providing evidenced-based training opportunities to develop a skilled workforce, ensuring children in settings receive high-quality early education and care. Successes include:
  - Two-thirds of primary schools have benefitted from our investment in the Nuffield Early Language Intervention, improving the speech and language skills of an estimated 90,000 children so far. Over 320,000 primary school children have been screened to identify those with language development difficulties, who will receive targeted language support.
  - Phase 2 of our professional development programme has provided over 1,300 early years professionals in 51 LAs with training on communication and language, early mathematics and personal, social and emotional development.
  - The Experts and Mentors programme rolled out nationally from September 2022 following the pilot. In the first term of the programme around 800 settings received support. We aim to support over 7,500 nurseries and childminders in total.
  - We appointed the first Early Years Stronger Practice Hubs in November 2022. Stronger Practice Hubs will support early years settings to address the impact of the pandemic on young children by sharing effective practice, learning from the best available evidence, and building lasting local networks. A second selection process is currently underway with the aim of appointing a further 6 hubs. Hubs will support settings to adopt evidence-based practice improvements to address key COVID-19 recovery issues and build trusted local networks for sharing effective practice. Hubs will be distributed across England, with an ambition of 2 hubs in each region (18 hubs in total).

More performance analysis from page 86.

Our performance

£50.8bn

Core funding for schools and high needs (2021-22: £46.7bn)

32,873

Number of individuals awarded Qualified Teacher Status (2021-22: 37,077)

96% social worker renewals

renewed their registration (2021-22: 97%)

£20.0bn paid to around 1.8m students

In English student loans to students on higher education courses in 2022-23 (2021-22: £20.0bn to 1.8m students) open academies

which included over £11.5bn

Paid as tuition fees to providers in higher education (2021-22: £10.7bn)

3.9m tests

Marked key stage 2 test papers (2021-22: over 3.95m papers)

137

teachers prohibited from teaching, and interim prohibition orders imposed on 95 teachers (2021-22: 108 & 77).

618,787

reception baseline assessments

16,441 schools administered assessments to 618,787 pupils (2021-22: 609,948 assessments)

668

available apprenticeships (2022: 647)

164 providers covering 17 T Levels

(2021: 102 providers and 16 T Levels)

£6.6bn

Core funding for 16 to 19 (2021-22: £6.0bn)

1,429

Number of individuals awarded Qualified Teacher Status from Rest of the World (2021-22: 977)

106 HTQs

approved higher technical qualifications (2022: 30)

668

Number of individuals awarded Qualified Teacher Status from Europe (2021-22: 707)

The sectors we served this year

1.35m
2- to 4-year-olds in funded 15-hour entitlement (Jan-21: 1.34m)

348,000
3- and 4-year-olds in funded 30-hour entitlement (Jan-21: 329,000)

over 10,200
open academies

which includes over
650
open free schools
(Mar-22: over 9,800 open academies, including over 680 open free schools)

37,496 in **383**
nurseries
Pupils in state-funded nurseries in Jan-23 (Jan-22: 38,036 in 385 nurseries)

4.65m in
16,783 schools
Pupils in state-funded primary schools in Jan-23 (Jan-22: 4.66m in 16,786 schools)

3.63m in
3,444 schools
Pupils in state-funded secondary schools in Jan-23 (Jan-22: 3.57m in 3,473 schools)

349,000 starts
30.5% higher level
Apprenticeship starts of which 30.5% were higher apprenticeships (level 4+) in 2021/22 (2020/21: 321,000 30.7%)

974,000
Number of full-time equivalent (FTE) of entire workforce in state-funded schools (Nov-21: 968,000)

468,000
Number of full-time equivalent (FTE) teachers in state-funded schools (Nov-21: 466,000)

1.30m
Funded 19+ further education and skills participants (Aug-Jan 2022/23) (Aug-Jan 2021/22: 1.28m)

624,000
Adult education and training funded participation (Aug-Jan 2022/23) (Aug-Jan 2021/22: 579,000)

404,000
Children in need (31 March 2021: 388,000)

1.18m SEN and 389,000 EHC plans
Pupils with special educational needs (SEN) (2021/22: 1.13m & 356,000)

100,654
Number of registered social workers at Nov-22 (Nov-21: 95,710)

51,000
Children subject to a protection plan (31 March 2021: 51,000)

82,000
Looked-after children (31 March 2021: 81,000)

1,803
Number of individuals who hold both Approved Mental Health Professional and Best Interest Assessor (2021-22: 1,538)

2022-23 timeline of major announcements

Apr-22
- Skills Bill receives Royal Assent
- Cash boost to FE colleges to transform their estates

May-22
- Schools Bill introduced to Parliament
- T Levels, more subjects rolled out across 175 providers

Jun-22
- Ukrainian refugees offered 9,900 school places
- Interest rates on student loans capped

Jul-22
- Landmark increases to teachers pay accepted by Department

Aug-22
- The Holiday Activities and Food programme launches
- Record numbers of 18-year-olds take up places at university

Sep-22
- Oak National Academy launches as an NDPB of the Department

Oct-22
- £180m boost to improve children's development in early years

Nov-22
- SEND and AP Green Paper review started
- £59m extension to Maths Hub programme, following publication of times table data
- ONS reclassify the FE sector to the public sector

Dec-22
- Additional 239 schools selected for renovation in the School Rebuilding Programme

Jan-23
- £125m funding boost to support more 16-19-year-olds to progress in education

Feb-23
- Long-term CSC strategy launched
- Lifelong Learning Bill introduced

Mar-23
- £2.5bn funding to address school estate condition, with £1.8bn for 2023-24

Where we spent taxpayers’ money

The figure on the following page shows the Group’s net expenditure for the year analysed across the main expense types as presented in the Statement of Comprehensive Net Expenditure (SoCNE). The second figure presents an analysis of the main area of non-SoCNE spending which is further and higher education student loans. The third figure presents budgetary outturn by Group body.

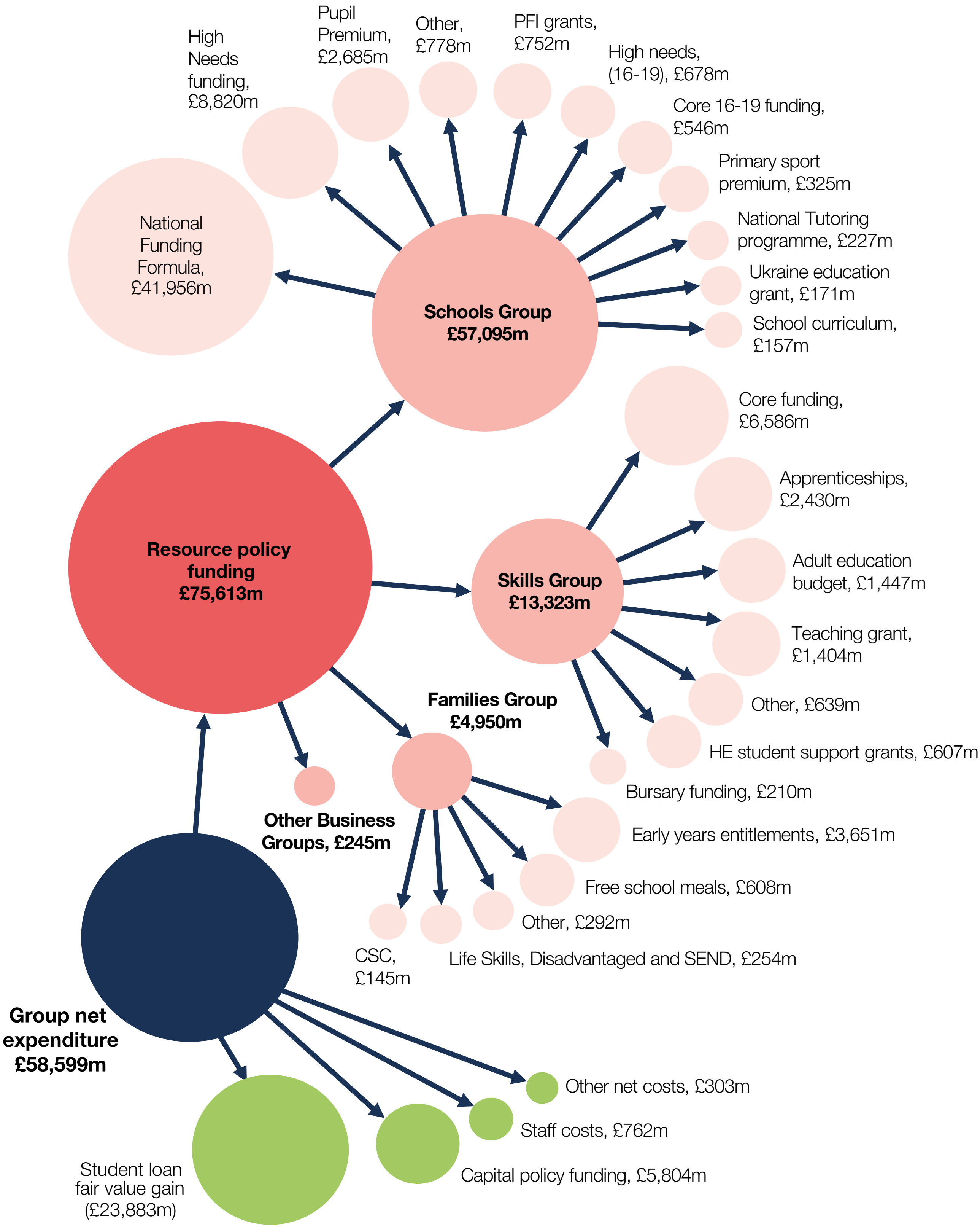
The totals reported in the first two graphics below differ from those reported through the Group’s budgetary framework (outturn) which is termed total managed expenditure (TME). Whilst accounting and budgeting treatments are broadly aligned; some transactions have different treatments under the separate frameworks. Throughout this annual report and accounts (ARA) we have applied the following terms consistently:

- budget cover – to refer to the value of spending authorised by Parliament through the Estimates process, also called voted totals
- budget scoring – a common term meaning which budget class spending is allocated to, so that ‘this spending is scored to RDEL’ means the spending will be recorded as RDEL outturn (page 42 has more information on budget types)
- outturn – spending reported under the budgetary framework (third figure)
- actuals – spending reported under the accounting framework (first and second figures)

For the purposes of brevity and consistency, budget cover is termed Estimates throughout this ARA. More information about budget types is provided on page 42.

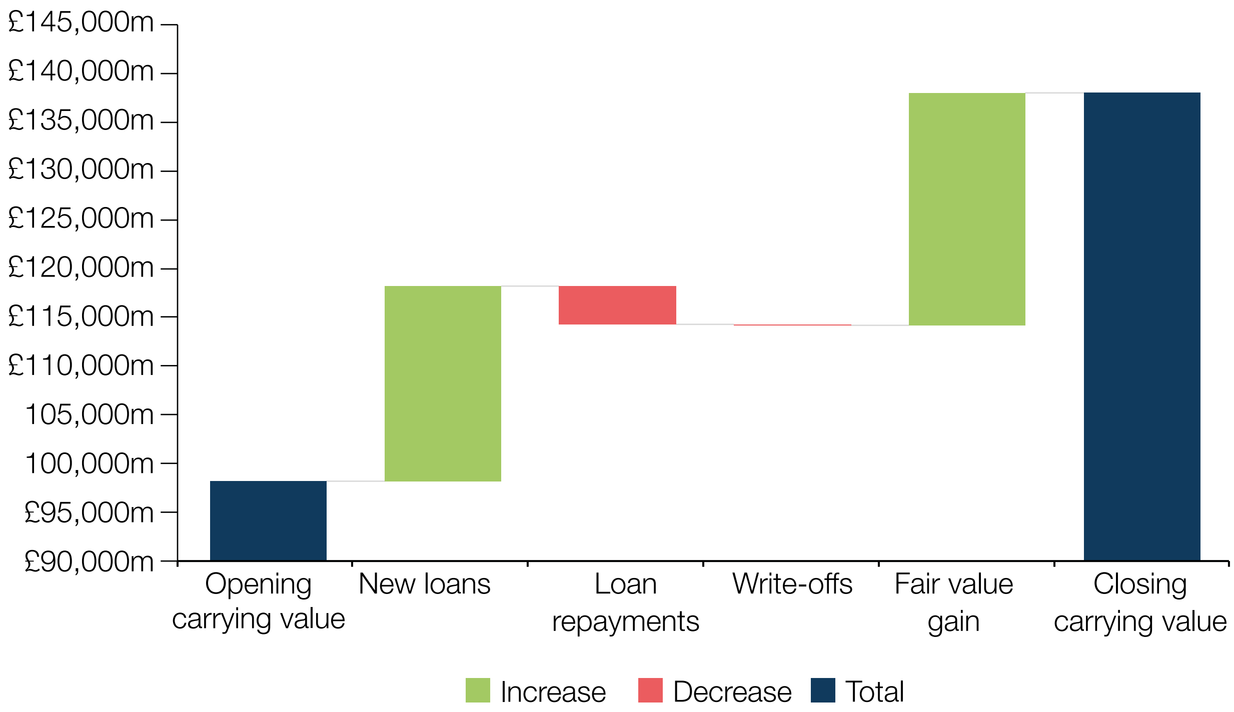
The Financial Review of the Year (pages 41 to 55) provides more detail on spending, variances between budget cover claimed at Estimates and outturn, and a reconciliation between outturn and actuals. Further details of the net expenditure (actuals) can be found in the Financial Statements from page 232.

A breakdown of the Group's 2022-23 net expenditure (£58.6 billion), summarised from SoCNE



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

Student loans carrying value in-year movements



During the year we recognised a significantly larger fair value gain for student loans compared to last year. The fair value gain movement this year (£23.9 billion) was £20.3 billion larger compared to last year's gain of £3.6 billion (2021-22: £12.0 billion positive movement, note 7). The student loan fair value gain is the main reason for the overall movement of comprehensive net expenditure across the last two years reducing from £72.6 billion in 2021-22 to £58.6 billion this year and the Group's net asset position improving by £40 billion across the two years.

Notes 12.2 and 12.4 present an analysis of the fair value movement and the impacts of changes in modelling and assumptions. The largest movements this year have been:

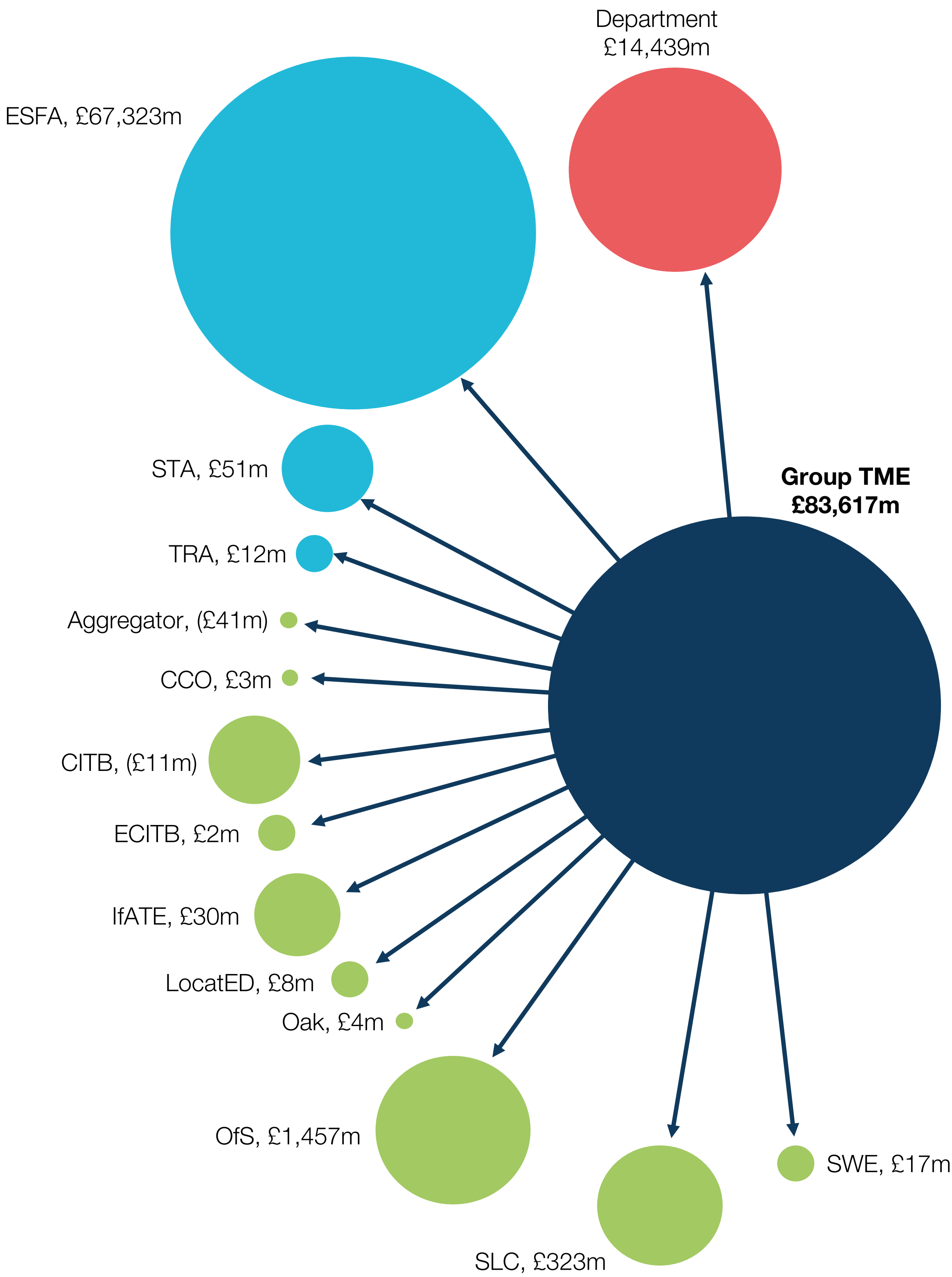
- a £11.0 billion improvement from changes to the valuation models, to a gain of £22.4 billion in the year (note 12.2) most of which arose from changes to policy (£21.8 billion (note 12.3)
- a £7.6 billion increase in the unwinding the discount element of the overall fair value movement, which was driven by increased RPI leading to a larger impact of discounting this year

The policy change was the change to Plan 2 from February 2023 where the repayment threshold was frozen up to and including 2024-25 and it will be uprated by RPI thereafter. Previously the threshold varied through average earnings, RPI tends to be lower than average earnings in normal times. Consequently, the repayment threshold will not be increasing by as much every year, hence more repayments and a higher carrying value.

Note 12 and annex C describe student loans and their annual movements in more detail.

A breakdown of outturn (£83.6 billion) by Group body

TME is, activity reported under the budgetary framework so includes all activities such as student loan additions and repayments. TME, analysed across Group bodies is as follows, with values in brackets denoting net income for those bodies:

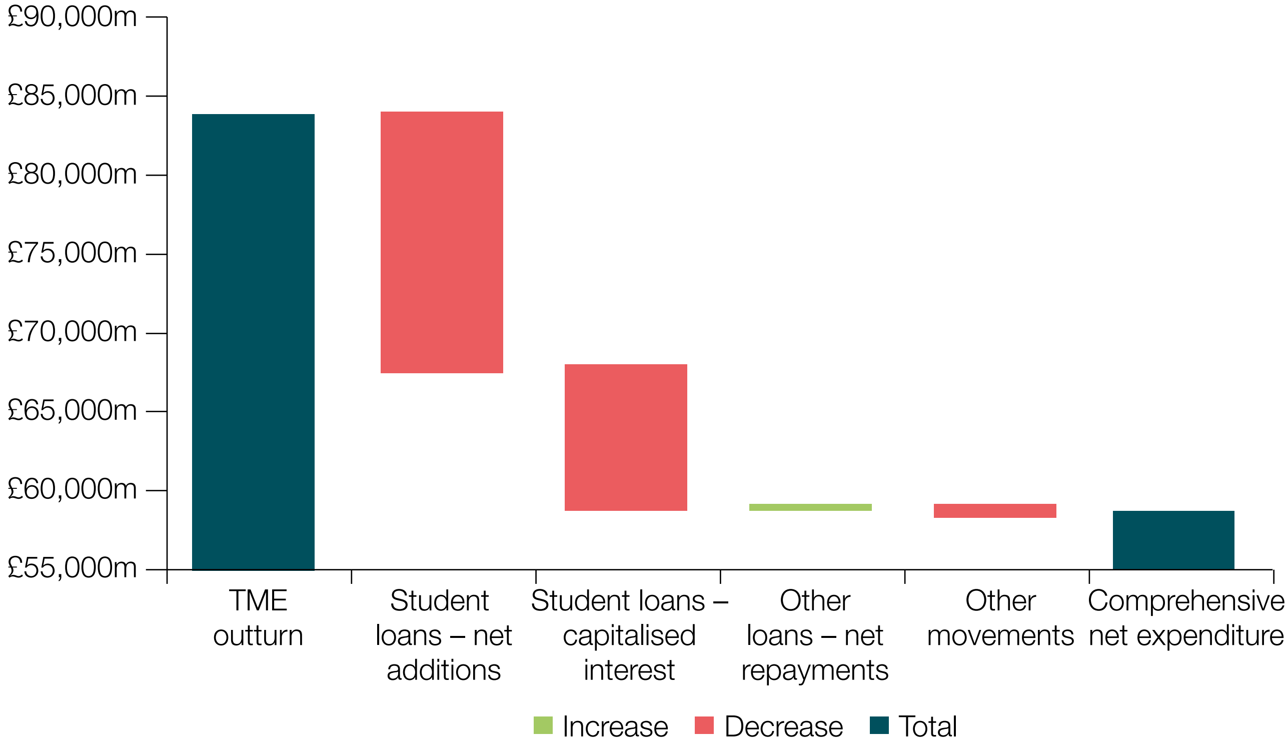


Reconciliation to financial statements

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

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

2022-23 reconciliation of TME outturn (£83.6 billion) to comprehensive net expenditure (£58.6 billion)



Summary of key risks

Below are the six key risks managed by the Department.

Risk 1 – Industrial action
A risk that industrial action taken by schools and college workforce leads to loss of learning.

Risk 2 – Education recovery
A risk of differential recovery from the impact of the pandemic, which could lead to widened attainment gaps between pupils.

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

Risk 4 – Looked-after children placement market failure
A risk that LAs are increasingly unable to access appropriate placements to meet the needs of children in their care; and the prices they pay continue to increase.

Risk 5 – High needs cost pressure
A risk that despite substantial cash increases in high needs funding, in the medium term (2-5 years) high needs costs continue to significantly outstrip available funding, making the SEND and AP system unsustainable. This would threaten the overall financial stability of LAs once the current temporary accounting override expires in April 2026, and undermine efforts to improve educational outcomes for pupils with SEND and improve parental confidence in the SEND and AP system.

Risk 6 – Cyber security
A risk that a cyber-attack could result in the loss of access to critical Departmental systems and services, as well as a loss of critical Departmental data.

Of the six key risks listed above – industrial action, school buildings safety and looked after children placement market failure have been escalated to the Civil Service Board as cross-governmental risks.

The likelihood of the school buildings safety risk remained stable across 2022-23. Significant work is underway to support schools to ensure any Reinforced Autoclaved Aerated Concrete (RAAC) in use in their buildings is accurately identified and any risks are managed.

Industrial action was raised as a key risk in November 2022, when relevant unions were considering or actively balloting members for strike action. The risk to learning is being constantly reviewed.

The risk to the CSC system was escalated in August 2022 in response to reports recommending improvements by the Independent Review of Children's Social Care and the Competition and Markets Authority. This risk is likely to remain Critical – Very Likely throughout the next financial year.

Despite substantial cash increases in high needs funding, in the medium term (2-5 years) high needs costs continue rise significantly. Given the need for systematic, long-term change to the delivery of support for children with SEND, this risk is likely to remain at its current status for the next two years.

The impact of a cyber-attack remained stable, although the risk is expected to remain high in the next financial year.

More detail on the risks described above can be found from page 106.

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Forewords

Secretary of State's overview

It is a privilege to present this year's annual report and accounts which give an insight into what we do here at the Department.

I re-joined the Department in October 2022, along with my ministerial colleagues, having previously served as Apprenticeships and Skills Minister. All of us are united in our commitment to serve this country's young people and adult learners and we have seen an intensive period of reform and engagement with our sectors and stakeholders.

Education has been at the forefront of the Government's agenda and we have been leading this with new measures to address our priorities. We are putting in place a fairer and more sustainable framework for making sure every child has a chance to make the most of their abilities.

I was very proud that in the Chancellor's Autumn Budget education was allocated £2 billion over and above what had previously been agreed to deliver the programme of reform we had pledged in our manifesto.

And this year's Spring Budget announced our transformative childcare package which is this country's largest increase to early years provision in history, offering working parents 30 hours a week of free childcare from 9 months up until their children start school.

In March I set out my key missions for the Department. They are to drive productivity by bringing education and business closer together, to ensure that our skills programmes meet the needs of businesses now and in the future and to set up all children for success in school and to build strong foundations for every child, setting them up for success.

I can report the number of colleges offering T Levels will have risen to more than 175 from this September and there are now 12 Institutes of Technology (IoTs) up and running round the country and a further nine are in development.

We continue our mission to strengthen Further and Higher Education. Degree apprenticeships have an important role in widening access and participation to university. Degree apprenticeships are a real success story. Level 6 and 7 programmes now make up over 12% of apprenticeships overall. In the past academic year, they have risen from just over 39,000 to more than 43,000.

We will also be taking forward our intention to enable all young people to study Maths to 18.

Another priority for us this year has been those who have struggled to make headway in their education journey.

We are committed to making sure that children and young people across England with SEND or in AP will get high-quality, early support wherever they live in the country.

On 2 March 2023 we published our SEND and AP Improvement Plan. This confirms investment in training for thousands of workers so children can get the help they need earlier, alongside thousands of additional specialist school places for those with the greatest needs, including 33 new special free schools.

Strong, supportive families make for more stable communities and happier individuals. Family Hubs are being rolled out in local communities to support thousands of families with issues such as infant feeding, mental health and relationship building.

75 areas will benefit from the £300 million investment up to 2025, with the new hubs offering support from conception through to age 19, or up to 25 for children with special education needs and disabilities.

Investing in families and making sure they get the support they need from birth through to adulthood helps with children's educational attainment, wellbeing and life chances, while also improving wider outcomes such as poor mental health and unemployment.

Millions of young people across the country are set to benefit from a significant £2.5 billion boost so they can learn in high-quality buildings and facilities that are fit for the future.

Schools and colleges will receive investment to upgrade classrooms and refurbish buildings that will provide high-quality learning environments – benefiting communities for years to come.

The incoming year is no less packed and as I write there is the added complication of industrial action by the main teaching unions. My position all along has been clear and I hope that common sense will soon prevail.

Children have had enough disruption to their education over the past three years.

I would like to thank my fantastic ministerial team who are tireless champions for all children and learners. I would also like to thank the Permanent Secretary Susan Acland-Hood and Directors General for their continuing contribution to the Department.

Rt Hon Gillian Keegan MP
Secretary of State for Education
13 July 2023

Permanent Secretary's overview

Last year I concluded my overview of the year by paying tribute to colleagues who had delivered across such a wide range of fronts, despite all of the challenges, disruption and uncertainty. 2022-23 has similarly had periods of challenge, abrupt change and uncertainty. The Department has responded well and resiliently to this context while continuing to focus on core delivery, policy reform and embedding the Department's own organisational transformation.

The Department has continued to drive forward the delivery of the government's priorities set out at SR21 across skills, schools and families, maximising the public value from three years of budgets out to 2024-25. Since last year, we have been working with our ministers to deliver a clear set of priorities; driving productivity by bringing education and business closer together, setting all children up for success in school, and building strong foundations for every child.

In skills, we have delivered major reform to our skills system and ensured that programmes are high quality and responsive to employer needs. Our Skills Bootcamps are helping adults build up sector-specific skills. Since launching in 2020, we have scaled up the offer from just over 2,000 training places a year to 36,000 funded places. We have successfully rolled out our apprenticeship reforms, with 254,000 starts (August 2022 – March 2023). Achievements are also up 22% compared to the same time last year. We are delivering new adult numeracy provision across England through the Multiply programme, which has seen over 31,000 learners in 2022-23. We have also raised the prestige of technical education through T Levels, with 10,000 starts in September 2022, and through the launch of Higher Technical Qualifications.

In schools, we have continued to drive forward education recovery after the COVID-19 pandemic. We have delivered over 3 million tutoring courses since the National Tutoring Programme began in November 2020, including 800,000 this calendar year, as part of our £5 billion multi-year recovery package. At the same time, we are driving system-wide change – this year alone, we have 70,000 fewer pupils in schools with Inadequate or two consecutive Requires Improvement judgements. But we also started to see the long-term impact of our combined reforms since 2010, with England climbing the ranks from 8th to 4th in the world for reading in the Progress in International Reading Literacy Study. We are also transforming the way we train teachers and school leaders, and our newly reformed suite of professional development programmes continues to grow year on year: 64,000 National Professional Qualifications have started since September 2021 and 127,000 teachers will have started since the programme began in 2021.

In Families Group we have laid the groundwork for major reform to improve local public services for children and families, publishing our strategy on children's social care (Stable Homes, Built on Love) and our SEND and AP Improvement Plan. We've also continued work in the near-term to improve these services. This year, we signed 20 new Safety Valve agreements, so that a total of 34 LAs have agreements to sustainably reform their high needs system. We have also met our target of 10% or fewer LAs' children's services being judged by Ofsted as

Inadequate, meaning 68% fewer children live in Inadequate LAs than six years ago. This year at Spring Budget, to give children the best start in life and ensure a better deal for parents, we announced reforms to childcare that will include over £4.1 billion in investment by 2027-28. This will enable eligible working parents in England to access 30-hours of free childcare per week, 38 weeks a year, from when their child is 9 months old to when they start school.

Responding to cross government challenges resulting from Russia's invasion of Ukraine the Department supported the sector with approximately 20,500 children and young people who arrived from Ukraine offered a school place. The Department has also been supporting Ministers and delivery partners in managing the implications of industrial action, both in our sectors and the Department itself, maintaining a strong focus on mitigating the implications for those depending on front line public services.

Underpinning all of this, our internal programme of work has seen progress on people and capability; place; and data and digital, to drive modernisation and efficiency. We have aligned our structure to the nine regions used across government by creating the new Regions Group that faces out to our LAs and schools in each region. We are building a stronger location strategy across the country, including ensuring that 50% of our SCS are outside London (we are currently achieving 58.7%). Our strategic data transformation programme will maximise the value of linked education data, better supporting the sectors we serve, as well as making research more policy relevant and helping it to have greater impact. We are also taking action on a 2022 People Survey results, with our plan focusing on pay and benefits, leadership and managing change, resources, workload and inclusion and fair treatment.

This progress sets us up well for the future. To succeed, we will also need to overcome a series of delivery challenges: ensuring sufficiency across our workforces in a challenging labour market; tackling school absence; scaling-up priority skills programmes; and ensuring our partners have the capacity to deliver our childcare, SEND, and children's social care reforms. At the same time, we will continue to be on the front foot as we begin our real-world testing of the role of artificial intelligence in education and lay the ground for delivering new programmes like Maths to 18 and the expansion of childcare.

Susan Acland-Hood
Permanent Secretary
13 July 2023

Lead non-executive's overview

Over the last twelve months the Department of Education has experienced much change at ministerial, executive, and non-executive level. Nonetheless, the Department has undertaken a large amount of business to further improve education and therefore outcomes of the children, young people, and adults whom it serves. In response to the tragic murders of Arthur Labinjo-Hughes and Star Hobson, the Department led on an Independent Review of the Children's Social Care sector, the findings of which are being implemented now. In addition, the Department commenced its implementation of the findings of the review of SEND. Furthermore, over the financial year and to date, the Department has increased its engagement with employers, particularly regarding the Skills sector.

The Department's governance structure has changed too, notably with the retirement of the Implementation Committee. Instead, delivery (including implementation and performance of major programmes) is reviewed at departmental Board level. Outside of formal governance, the non-executive board members met monthly to discuss Departmental performance. The governance structure as a whole, including retirement of the Implementation Committee, has been supported by the Permanent Secretary in her role as Accounting Officer.

Departmental Board

The Board's membership has changed significantly over the course of the year. I would like to extend my thanks to those who carried out the role of Secretary of State during this time: Rt Hon Nadhim Zahawi MP, Rt Hon Michelle Donelan MP, Rt Hon James Cleverly MP, Rt Hon Kit Malthouse MP, and Rt Hon Gillian Keegan MP, who remains Secretary of State and Chair of the Board since her appointment in October 2022. I would also like to thank Baroness Barran for her role as Minister for the Board, and for her sustained contribution to the Department throughout this period of change and beyond.

There have also been changes to the Department's non-executive team. In June 2022 we bid farewell to the Chair of the Audit and Risk Committee (ARC), Ian Ferguson. Ian brought expertise to, and enthusiasm and support for, the Department's sectors and expertly lead the ARC over the course of six years. I thank Ian for his dedication and wish him well in his endeavours. In addition, in June 2022 Nick Timothy stepped down from his role as a non-executive board member. I thank him, too, for his dedication to the Department during his time with us.

At the end of May 2022, the Department welcomed four new non-executive board members, following a recruitment process that began in the previous financial year. The process, which culminated in the appointment of the non-executive board members by our Secretary of State, was a rigorous one. An independent panel reviewed a number of high-calibre applications, which resulted in a strong field of candidates for interview and therefore well-informed recommendations from the panel to the Secretary of State on whom should be appointed. Sir Peter Bazalgette, Jack Boyer OBE, Suzy Levy, and Stuart McMinnies (and in addition Chair of the ARC) were appointed as a result of this process and have brought a wealth of experience and expertise to the Department; coming from a variety of industries and backgrounds, each have already added much value to our Board and Department.

Executive leadership and committees

There have been several changes to the Department's Leadership Team at executive level. On 14 April 2022, following the implementation of Future DfE, Mike Green, the Chief Operating Officer and Director General of Operations and Infrastructure Group, left the Department and was replaced on an interim basis (until November 2022) by Iain King. In November, Iain departed for another government department and Jane Cunliffe joined as Chief Operating Officer. Having started her career in the Department for Education, Jane brings experience from both the public and charity sectors to her role. In July 2022, John Edwards began his role as Director General of the newly formed Regions Group. Later in the calendar year, in December 2022, after seven years in the Department and twenty in the Civil Service, Paul Kett left the Department; Julia Kinniburgh took over the role of Director General of Skills. Furthermore, in March 2023, after thirty-seven years in the Department, Andrew McCully retired from his role as Director General of Schools and, with Julia Kinniburgh now Director General of Skills, I am pleased to say that Tony Foot was appointed as Director General for Strategy in March 2023 and Juliet Chua was appointed as Director General of Schools in May 2023.

The Board met six times during the reporting period and considered a variety of topics spanning the breadth of the departmental pillars of Skills, Schools, and Families. In particular, the Board helped to steer and shape engagement with the skills sector, the devolution of skills in England, and discussed the uptake of further education options (for example, T Levels and apprenticeships).

The ARC, under the leadership of its new Chair, has met six times throughout the reporting period. In addition to the six ARC meetings, independent members met with Departmental officials for a workshop prior to each meeting. The ARC chairs of the Department's NDPBs met twice this year as a network (a meeting chaired by the ARC Chair).

Meanwhile, in July 2022, following advice from the Permanent Secretary and me, the Secretary of State decided to retire the Implementation Committee which had previously met as a committee of the Board to oversee delivery. The Board now meets more frequently, and, thanks to our new full cohort of non-executive board members, the requirement of a delivery board is now fulfilled by the Departmental Board.
There were two Implementation Committee meetings in this reporting period.

Nominations Committee met four times during the year to support the Permanent Secretary in talent management and succession planning for the Department's most senior officials. This year, the committee took particular interest and focus on diversifying the pipeline of Departmental and NDPB public appointments, work which they continue to explore. The Leadership Team and its sub-committees continued to meet regularly throughout the year.

Following the appointment of four new non-executive board members to the Board, colleagues across the Department worked together, led by the Board Secretariat, to provide the new Board members with a comprehensive induction to the Department. Once adequately familiarised with the Department, the full cohort of non-executive board members were aligned with the six Departmental business groups to ensure that each area of the Department benefitted from external expertise and challenge. In addition to business group-level portfolios, non-executive board members have expertise-specific elements in their portfolios, for example sustainability or leading on cross-governmental work on the Union.

During the next reporting year, we look forward to further encouraging the uptake of skills qualifications and ensuring that employers are at the heart of this learning. I look forward, too, to our non-executive cohort to continue to embed itself in the Department and for them offer the right challenge and support to the executive, and ministerial, leaders.

Richard Pennycook
Lead non-executive board member
13 July 2023

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Structure of the Departmental Group

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

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

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

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

Executive agencies

Education and Skills Funding Agency (ESFA)

Following the arm's length body review in 2021-22, ESFA is now responsible for funding the education and training sectors, providing assurance that public funds are properly spent, delivering the policies and priorities set by the Secretary of State, and providing, where necessary, financial support for providers.

Standards and Testing Agency (STA)

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

Teaching Regulation Agency (TRA)

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

Executive NDPBs

Children's Commissioner's Office (CCO)

Supports the Children's Commissioner who promotes and protects the rights of children, especially the most vulnerable, and stands up for their views and interests.

Construction Industry Training Board (CITB)

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

Engineering Construction Industry Training Board (ECITB)

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

Institute for Apprenticeships and Technical Education (IfATE)

Responsible for developing, approving, reviewing and revising apprenticeships and technical qualifications with employers. This includes responsibility for T Levels delivery and implementing an approval process for higher technical qualifications.

Located Property Limited (LocatED)

Responsible for selecting and developing sites for new schools in England.

Oak National Academy Limited (Oak)

On the 1 September 2022, the Department launched its latest NDPB, Oak National Academy to support teachers to teach and enable pupils to access a high-quality curriculum whilst also reducing teacher workload.

Office for Students (OfS)

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

Social Work England (SWE)

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

Student Loans Company Limited (SLC)

A non-profit making government-owned organisation that administers loans and grants to students in colleges and universities in the UK on behalf of the Department and Devolved Administrations.

Advisory NDPBs

School Teachers' Review Body (STRB)

Makes recommendations on the pay, professional duties and working time of school teachers in England, and reports to the Secretary of State and the Prime Minister.

Other Group bodies

Aggregator Vehicle PLC

Acts as a single source of market funding to support the construction of new buildings for LA maintained schools and academies.

Excluded bodies

All the bodies named above are judged to be controlled by the Department and so fall within the Department's financial reporting boundary (the Group) and so are consolidated into this ARA. In addition to the above, two education sectors have been judged by the Office for National Statistics (ONS) to be controlled by the Department and so should also be consolidated into this ARA. However, as explained below we have excluded both sectors from the scope of this ARA.

Academy sector

The ONS reclassified the academy sector to the public sector in 2004. From 2011-12 departments were required to produce consolidated ARAs including all their executive agencies and NDPBs; which for the Department would have included the academy sector. The Department secured an exemption to consolidate the academy sector from HM Treasury (HMT) for 2011-12. The Department included the sector in its consolidated ARA from 2012-13 to 2015-16.

From August 2016 with HMT and Parliamentary approval, the Department removed the sector from this Group ARA and consolidates the academy sector into its own published sector annual reports and accounts (SARA)[6] with a year end of 31 August.

FE sector

On 29 November 2022, the ONS reclassified the FE sector from the private sector to the public sector following a review of recent legislation and areas of control. The reclassification resulted in FE colleges becoming Group NDPBs, and the Department is working with HMT to agree the consolidation approach and timing.

For 2022-23, the Department has received a derogation from HMT concerning the consolidation of the FE sector and as such it has not been included in this consolidated ARA as a Group body.

Non-Group bodies

Non-ministerial departments

As well as the Group bodies included in this ARA and the two education sectors, the Department works alongside other public sector bodies in the education sector as identified below, to achieve our and those bodies' objectives. None of the bodies named below are judged to be controlled by the Department or Secretary of State and so are not included in this consolidated ARA.

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

Teachers' Pension Scheme (England and Wales)[7]

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

Ofqual[8]

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

6 https://www.gov.uk/government/collections/academies-sector-annual-reports-and-accounts
7 https://www.teacherspensions.co.uk/
8 https://www.gov.uk/government/organisations/ofqual/about

Ofsted[9]

A non-ministerial department separate to the Department, which inspects services providing education and skills for learners of all ages as well as inspecting and regulating services that care for children and young people.

Other bodies

As well as the bodies above, the Department also works with three other public sector bodies in furtherance of joint objectives. The bodies below do not produce their own ARAs, and the Department provides administrative support.

Child Safeguarding Practice Review Panel[10]

An independent panel commissioning reviews of serious child safeguarding cases, who want national and local reviews to focus on improving learning, professional practice and outcomes for children.

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

Independent Review Mechanism[11]

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

Office of the Schools Adjudicator[12]

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

Operational structure

Business groups

The Department separates its strategic responsibilities and priorities into six operational groups (business segments). The operational groups presented in this ARA are those that applied during the financial year following implementation of the recommendations of the prior year's Future DfE exercise and ESFA Review.

The Department reorganised itself so that it thinks, acts and partners much better locally, not least by being aligned to the nine regions used elsewhere in government. The reorganised structure is clear and makes sense to the stakeholders we work with and will help us deliver the Department's priorities on Skills, Schools and Families. To achieve this, stakeholder views informed our work.

The creation of a business group that focuses on skills responded to the recommendations of the ESFA Review. Consolidating all post-16 policy and delivery within one business segment, enables a high quality, outcomes-focused post-16 system that gives learners the skills and knowledge they need to succeed in their working lives and meet the needs of the economy.

9 https://www.gov.uk/government/organisations/ofsted/about
10 https://www.gov.uk/government/organisations/child-safeguarding-practice-review-panel
11 https://www.gov.uk/government/organisations/independent-review-mechanism
12 https://www.gov.uk/government/organisations/office-of-the-schools-adjudicator

In line with the Department's response to the review recommendations, the ESFA will focus on high-quality funding delivery. The ESFA continues to focus on making sure that public funds are properly spent and that value for money for the taxpayer is achieved, while helping to inform policy and delivery activity and ensuring the financial health and sustainability of education and training providers. A consequence of the reorganisation is that the ESFA ceased to be a business segment, so the Agency's CEO stepped down from the Department's Board. ESFA now reports through the Operations and Infrastructure Group business segment as a sponsored executive agency.

During the year the Group operated through the following business groups who had the following responsibilities:

Business group	Responsibilities	Contributing bodies
Families Group	Responsibility for oversight of work to support vulnerable children and families, including CSC, SEND, childcare and family help including: • early years and childcare provision • Family hubs and family help policy • SEND and AP, including development and delivery of the SEND and AP Improvement Plan • CSC strategy and workforce – including delivering major reforms to CSC • safeguarding • behaviour, attendance and school food policy • cross-cutting strategic work to support vulnerable children and families	CCO and SWE
Schools Group	Responsibility and oversight for early years and schools, including: • the curriculum • exams and general qualifications • school accountability • pupil wellbeing and safety • recruitment and retention in the teaching workforce • targeted support, including the National Tutoring Programme • school funding policy, analysis and infrastructure • school strategy	STA, TRA, Oak and STRB

<table>
<tr><th>Business group</th><th>Responsibilities</th><th>Contributing bodies</th></tr>
<tr><td>Skills Group</td><td>Responsibility for oversight of the skills system including:
skills strategy and engagement with employers
apprenticeships and Skills Bootcamps
technical qualifications and essential skills
higher education strategy and funding
further education strategy and funding
regional engagement with providers
user experience and social justice, including careers information, advice and guidance</td><td>CITB, ECITB, IfATE, OfS and SLC</td></tr>
<tr><td>Regions Group</td><td>Responsibility for oversight of:
addressing underperformance in schools, academies, CSC and SEND services, offering support, and where necessary intervening, to deliver rapid improvement
taking decisions on academy sponsor matches and significant changes to academies
deciding on new free schools and the creation, consolidation and growth of multi-academy trusts (MATs)
supporting LAs to ensure that every local area has sufficient places for pupils
leading the response to area wide special educational needs (SEN) inspections, ensuring effective challenge and support to enable areas of weakness to be remedied quickly
taking the lead on ensuring there is an appropriate response to safeguarding cases arising in academies, working closely with LAs and Ofsted
responding to complaints about academy and maintained school compliance with aspects of regulations relating to school complaint handling, admissions, directions to admit, exclusions, safeguarding, and Office of the School Adjudicator determinations</td><td>None</td></tr>
</table>

Business group	Responsibilities	Contributing bodies
Strategy Group	Responsibility for: • education strategy and delivery of strategic priorities across the Department • education recovery, levelling up and disadvantage policies • sustainability • international education • strategic analysis, research, data and science • communications • rapid response and emergency planning • policy capability • private offices	None
Operations and Infrastructure Group	Responsibility for: • ensuring the Department and Agencies are sufficiently resourced (people, data/information, finance and IT) and organised to deliver its business objectives • ensuring that efficient and effective systems and processes, driven by customer needs, underpin our services • delivering the Department's objectives for the school estate so that all children can access a good school place and learn in good quality, safe environments • manages education capital funding and programmes • oversees data, digital and technology services	Aggregator Vehicle PLC, ESFA and LocatED

Reporting in this ARA

The lowest level of financial information presented in this ARA is the sub-consolidation of the core Department and its three Agencies, presented as “Department and Agencies”. The full consolidation (“Group”) is the core Department and Agencies together with the NDPBs named above and in note 23.

Financial review of the year

Introduction

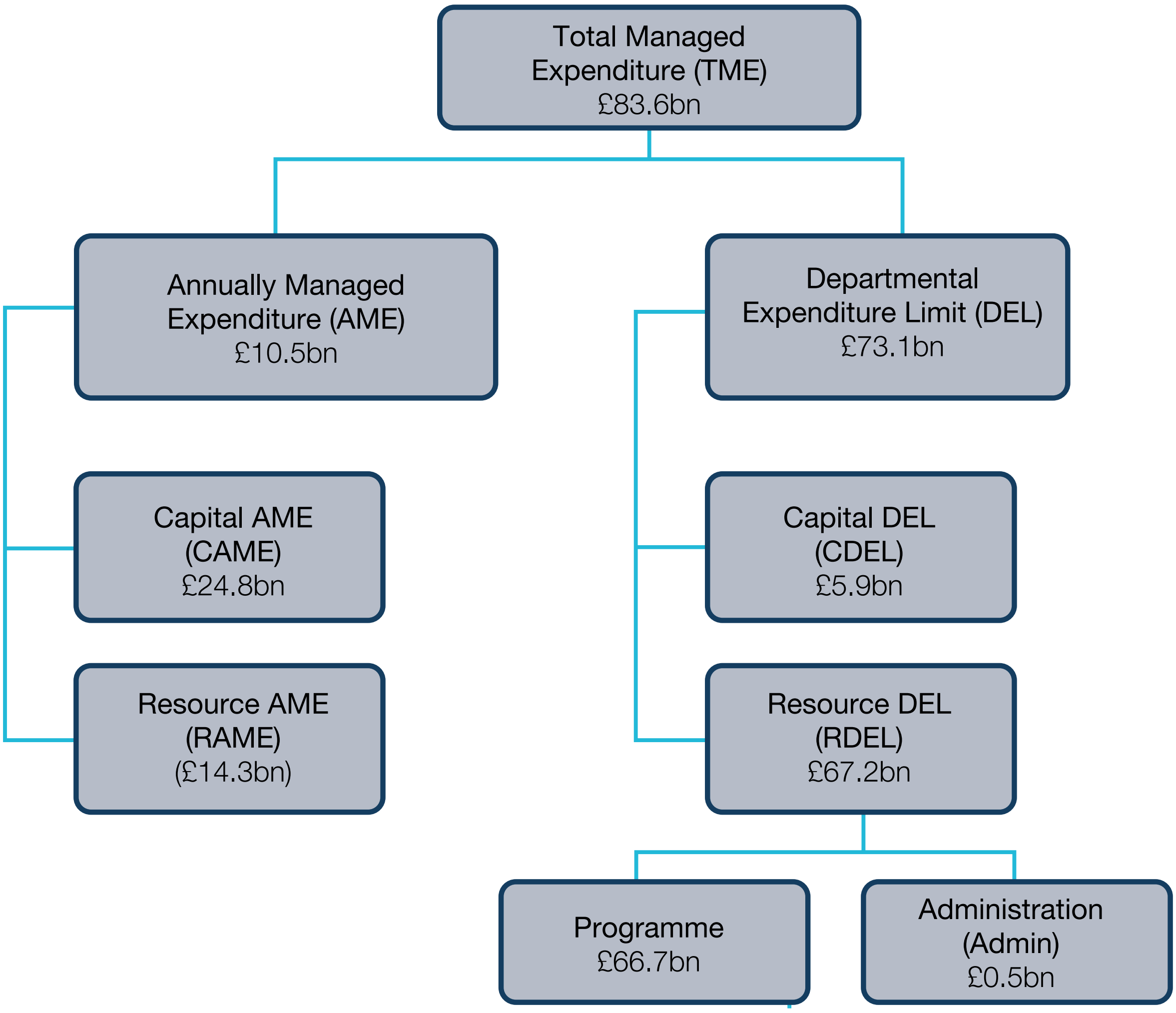
The priority for this year has been to ensure that we have a tight grip on Group finances in light of pressures due to inflation and Ukraine responses and are able to demonstrate our ongoing commitment to delivering value for money in everything we do, whilst continuing to support education providers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

This review will focus on the financial performance achieved by the Group in 2022-23 including a focus on:

- financial outturn
- significant events that occurred during the year

Outturn by budget type

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



Budget type	Summary description
TME	Total Managed Expenditure – the total amount that the Group spends within the budgetary framework. TME is split into two categories: DEL and AME, which in turn consist of resource and capital sub-divisions.
DEL	Departmental Expenditure Limit – captures spending that is subject to limits set in the Spending Review (SR), which departments may not exceed. DEL budgets are firm, planned annual budgets set for multi-year SR periods. DEL is the default budgetary category for spending and can be split into resource and capital budgets.
AME	Annually Managed Expenditure – captures spending that is subject to HMT control. AME budgets are volatile or demand-led in a way that departments cannot fully control and are split into resource and capital budgets. The majority of the Group's AME expenditure is derived from student loans.

Budget type	Summary description
Resource	Resource budgets capture current expenditure (including depreciation, which is the current cost associated with non-current assets). It is paramount for HMT to retain control over the level of current spending. Within the resource budget some transactions will have an immediate or near-immediate impact on fiscal aggregates, for example pay and procurement. Other transactions will only have an effect in future periods, for example the take up of provisions. Resource budgets are further split between programme and administration budgets.
Capital	Capital budgets capture new investment and financial transactions. It is important to control capital budgets alongside resource budgets because spending in this budget increases public sector net debt and government's borrowing requirements. Capital budgets are wholly programme.
Programme	Programme budgets capture expenditure on front-line services such as schools, colleges and social work.
Admin	Administration budgets comprise non-programme spending; which covers the running costs of the Group including back office staff, buildings, depreciation and information and communications technology.
RDEL	Resource DEL is current expenditure in DEL, which can be split between programme and admin.
CDEL	Capital DEL is spending on assets and investment such as colleges, universities and schools.
RAME	Resource AME budgets include effective interest on student loans, non-cash costs of provisions and for budgetary purposes only, costs of provisions and resource costs of levy bodies.
CAME	Capital AME budgets cover student loan origination, repayments and capitalised interest, plus the capital cost of levy bodies.
Non-budget	Amounts voted on by parliament through the Estimates process that do not refer to current year spending and so budgets.
Ringfence	An HMT stipulated restriction in the Department's ability to utilise budgetary underspends on other activities. Restrictions can be specific, such as student loan fair value movements, or wider across transaction types such as non-current asset depreciation and amortisation.

2022-23 financial outturn

In 2022-23, the Department's TME limit was £98.9 billion (2021-22: £113.6 billion) against which the Group spent a total of £83.6 billion (2021-22: £94.4 billion). The table below shows the Group's performance against its 2022-23 control totals as agreed by Parliament in the 2022-23 Supplementary Estimates.[13]

Type of spend			2022-23			2021-22
	Estimates	Outturn	Variance	Estimates	Outturn	Variance
	£m	£m	£m	£m	£m	£m
DEL	**82,066**	**73,103**	**8,963**	**86,348**	**77,744**	**8,604**
Resource	75,797	67,155	8,642	81,081	72,946	8,135
Programme	*75,227*	*66,609*	*8,618*	*80,526*	*72,406*	*8,120*
Admin	*570*	*546*	*24*	*555*	*540*	*15*
Capital	6,269	5,948	321	5,267	4,798	469
AME	**16,862**	**10,514**	**6,348**	**24,189**	**16,683**	**7,506**
Resource	(10,391)	(14,314)	3,923	607	(5,180)	5,787
Capital	27,253	24,828	2,425	23,582	21,863	1,719
Total budget	**98,928**	**83,617**	**15,311**	**110,537**	**94,427**	**16,110**
Non-budget	**–**	**–**	**–**	**3,068**	**–**	**3,068**
TME	**98,928**	**83,617**	**15,311**	**113,605**	**94,427**	**19,178**
Analysed as:						
non-student loans	*82,754*	*82,581*	*173*	*78,627*	*76,105*	*2,522*
student loans	*16,174*	*1,036*	*15,138*	*34,978*	*18,322*	*16,656*

The large underspend recognised by the Group is primarily generated by our student loan balances. The underspend is driven by difficulties in forecasting expected student loan outturn as at the Supplementary Estimates process, in advance of the year end economic inputs for the valuation model being known. More detail on our approach to valuing student loans for the Estimates process is provided below. Large year end Estimates to outturn variances are typically a product of over prudence and do not indicate a lack of control over the management of our student loan activities or their accounting values.

The table above is a summary of the more detailed analysis of outturn to Estimates presented in the audited Statement of Outturn against Parliamentary Supply (SOPS) and associated notes (see pages 190 to 201). The SOPS is the primary element of Parliamentary accountability by comparing actual performance (outturn) with expected activities (Estimates) authorised through the Parliamentary voted totals (controls totals) process.

As shown in the table, the Group underspent by £15.3 billion split across both budget categories (DEL – £9.0 billion and AME – £6.3 billion). The underspend was predominantly in Resource DEL programme – £8.6 billion, with Resource AME – £3.9 billion and Capital AME

13 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1138300/E02853837_HC_1133_Supply_Estimates_22-23_Web_Accessible.pdf

– £2.4 billion also having large underspends. Across the next pages we provide more detail of in-year Estimates to outturn variances by budget category across the last five years.

At Supplementary Estimates, the Department agreed a £1.5 billion increase in authorised budget spending, with the main drivers as follows:

- an increase of £3.9 billion in Resource DEL, split between:
  - £4.2 billion increase ringfenced for student loan fair value movements
  - £0.3 billion decrease spread across other programmes
- a decrease of £0.8 billion in Resource AME, the majority of which was related to unwinding the discount applied in student loan valuation models
- a decrease of £96.0 million in Capital DEL, funding surrendered to HMT to assist with Ukraine projects
- a decrease of £1.5 billion in Capital AME, of which £1.8 billion related to a fall in expected capitalised interest on student loans

Non-student loan programme spend has risen every year across the last five years to support the educational and CSC sectors.

Discussion on in-year Estimates to outturn variances

Below we explain large pre-virement variances of Estimates to outturn highlighted in the SOPS (and associated notes from page 193) which are identified as those over £1 billion or over 10% of Estimates value and over £250 million, across the different budget types.

Impact of student loans

Calculating student loan valuations, for either year end accounting purposes (note 12) or to support the Estimates claim, is inherently difficult and different to commercial loan portfolios. Unlike commercial mortgage books (which are similar in duration) the student loan portfolios do not have stable monthly contractual repayments allowing for easily modelled repayment profiles. Instead, student loan repayments are sensitive to economic conditions such as employment levels, RPI and salary growth all of which drive expected repayments. None of the year end values for these variables, which are required by the valuation model, are known by the Department to support either Estimates process (Mains or Supplementary).

In addition, the very large size of the student loan portfolio (£203.3 billion face value, note 12.1) presents challenges. The student loan valuation models apply valuation inputs to student loan face value balances to calculate the carrying values. This means that minor movements of a valuation input can generate extremely large movements in the final student loan carrying value due to the size of the loan portfolios. Therefore, small differences between model inputs forecast at Supplementary Estimates and actual values at the year end can generate very large variances. See note 12.3 and annex C for more explanation on valuation model input sensitivities; and note 7 records the annual movement in fair value.

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

Resource DEL programme

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

Note S1.1 (from page 193) breaks down the overall RDEL underspend of £8.6 billion by Estimates lines which approximate operational areas. Almost all of the overall underspend, £8.1 billion (before and after virements), is held by the Higher Education (HE) Estimates line which is driven by student loan fair value losses and other valuation movements. The underspend was generated by earnings forecasts at Spring Budget being higher than the forecasts applied at Supplementary Estimates. The difference in the forecasts fed through our year end modelling to drive an increase in the year end valuation of the loan book.

The model input changes are explained in further detail in note 12.3.

Resource AME

As shown in note S1.1, the Group reported an overall underspend of £3.9 billion, of which £3.9 billion was found in the HE Estimates line. Student loans impact RAME through unwinding a year of discounting as the loan book is revalued twelve months on from the previous valuation. As student loans are discounted using the HMT rate of RPI-1.3% for cash flows up to 2030 and RPI-0.2% for cash flows thereafter, this value is highly dependent on RPI. The March 2023 outturn RPI of 13.5% was higher than the forecast value we used at Supplementary Estimates which has led to the underspend as a higher discount rate leads to a lower RAME cost.

Capital DEL

The underspend of £321 million is primarily due to slippage of school and college building programmes driven by challenging issues in the construction market.

Capital AME

The underspend of £2.4 billion (almost wholly within the HE Estimates line) is a result of unused budget cover secured at Supplementary Estimates to cover the difficulties in forecasting student loan principal movements (loan advances, capitalised interest and loan repayments). At the time of obtaining budget cover through the Supplementary Estimates process there are still uncertainties related to the amounts of new loans issued (as a whole academic term remains at the time of the Estimates), repayments of student loans (which are dependent on how much borrowers earn) and capitalised interest (which is dependent on clarity over individuals' loan balances). The underspend is primarily a result of underspends on repayments, capitalised interest and new loans issued in the year.

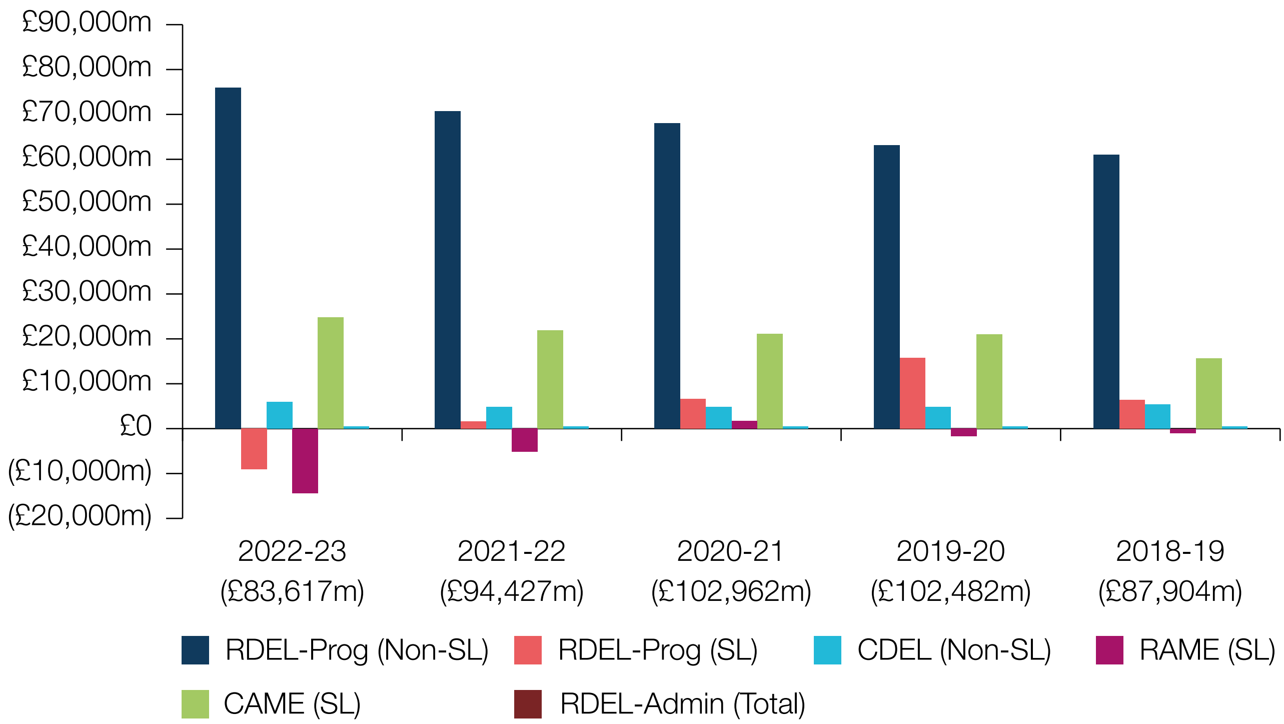
Trends in TME

The table and charts below present five-year summaries of the movements in the Group's outturn analysed by budget type. The table and charts are summarised versions of the detailed Core Tables presented in annex D, from page 350.

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

Type of spend	2022-23 Outturn £m	2021-22 Outturn £m	2020-21 Outturn £m	2019-20 Outturn £m	2018-19 Outturn £m
DEL					
Administration	**546**	**540**	**509**	**490**	**491**
non-student loan activities	*546*	*540*	*509*	*490*	*491*
student loan activities	–	–	–	–	–
Programme	**66,609**	**72,406**	**74,712**	**78,920**	**67,409**
non-student loan activities	*76,007*	*70,759*	*68,097*	*63,141*	*60,976*
student loan activities	*(9,391)*	*1,647*	*6,615*	*15,779*	*6,433*
Capital	**5,948**	**4,798**	**4,830**	**4,864**	**5,402**
non-student loan activities	*5,948*	*4,798*	*4,830*	*4,864*	*5,400*
student loan activities	–	–	–	–	*2*
Total DEL	**73,103**	**77,744**	**80,051**	**84,274**	**73,302**
non-student loan activities	*82,494*	*76,097*	*73,436*	*68,495*	*66,867*
student loan activities	*(9,391)*	*1,647*	*6,615*	*15,779*	*6,435*
AME					
Resource	**(14,314)**	**(5,180)**	**1,767**	**(1,739)**	**(1,029)**
non-student loan activities	*84*	*12*	*(3)*	*(41)*	*(53)*
student loan activities	*(14,398)*	*(5,192)*	*1,770*	*(1,698)*	*(976)*
Capital	**24,828**	**21,863**	**21,144**	**19,947**	**15,631**
non-student loan activities	*3*	*(4)*	*(1)*	*18*	*2*
student loan activities	*24,825*	*21,867*	*21,145*	*19,929*	*15,629*
Total AME	**10,514**	**16,683**	**22,911**	**18,208**	**14,602**
non-student loan activities	*87*	*8*	*(4)*	*(23)*	*(51)*
student loan activities	*10,427*	*16,675*	*22,915*	*18,231*	*14,653*
TME	**83,617**	**94,427**	**102,962**	**102,482**	**87,904**
non-student loan activities	*82,581*	*76,105*	*73,432*	*68,472*	*66,816*
student loan activities	*1,036*	*18,322*	*29,530*	*34,010*	*21,088*

TME for the last five years analysed between non-student loan and student loan activities



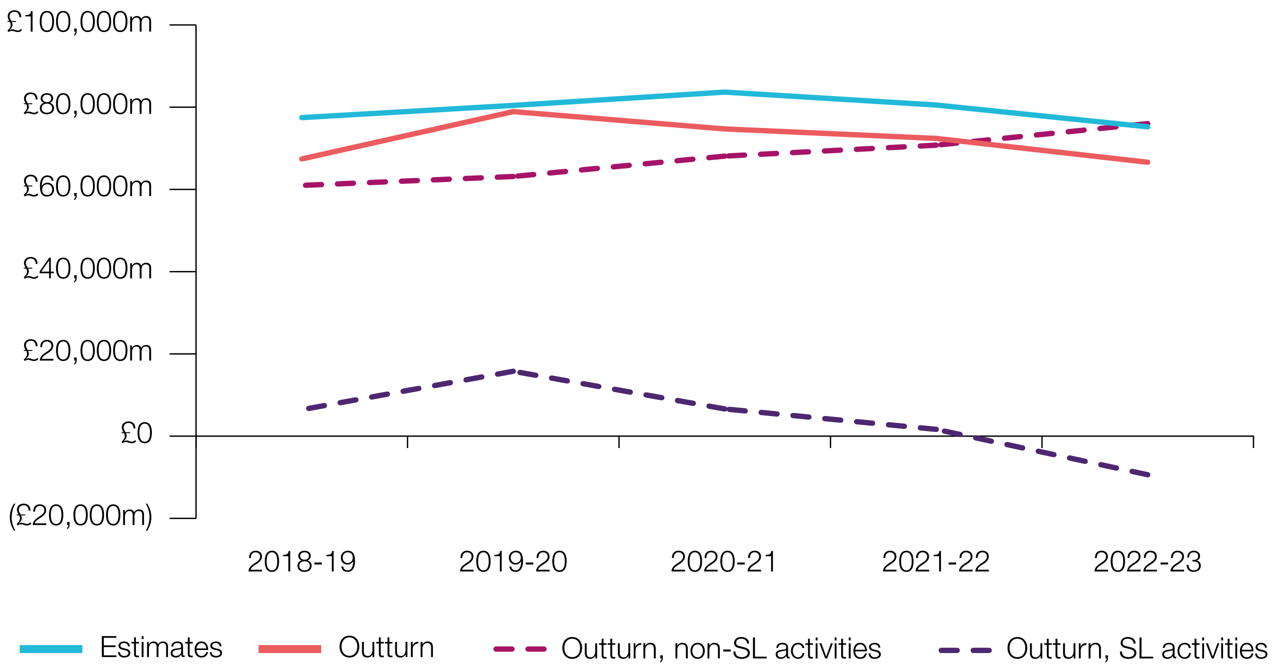
After removing the budget types with insignificant spending (such as non-student loan CAME and RAME) the chart above illustrates that the main drivers TME across the years above (from a high of £103 billion to a low of £83 billion) are movements in student loan RDEL and RAME Student loan RDEL and RAME are the most variable of the different budget and activity types for the Group. The size of the student loan portfolio drives the RDEL and RAME annual movement values, which means that they can absorb the increased programme spending (RDEL-Programme (non-student loans) above) to reduce the overall TME.

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

Resource DEL programme

The graph below presents a comparison of Estimates to outturn for RDEL programme across the last five years. Outturn values are split between non-student loan activities and student loan activities.

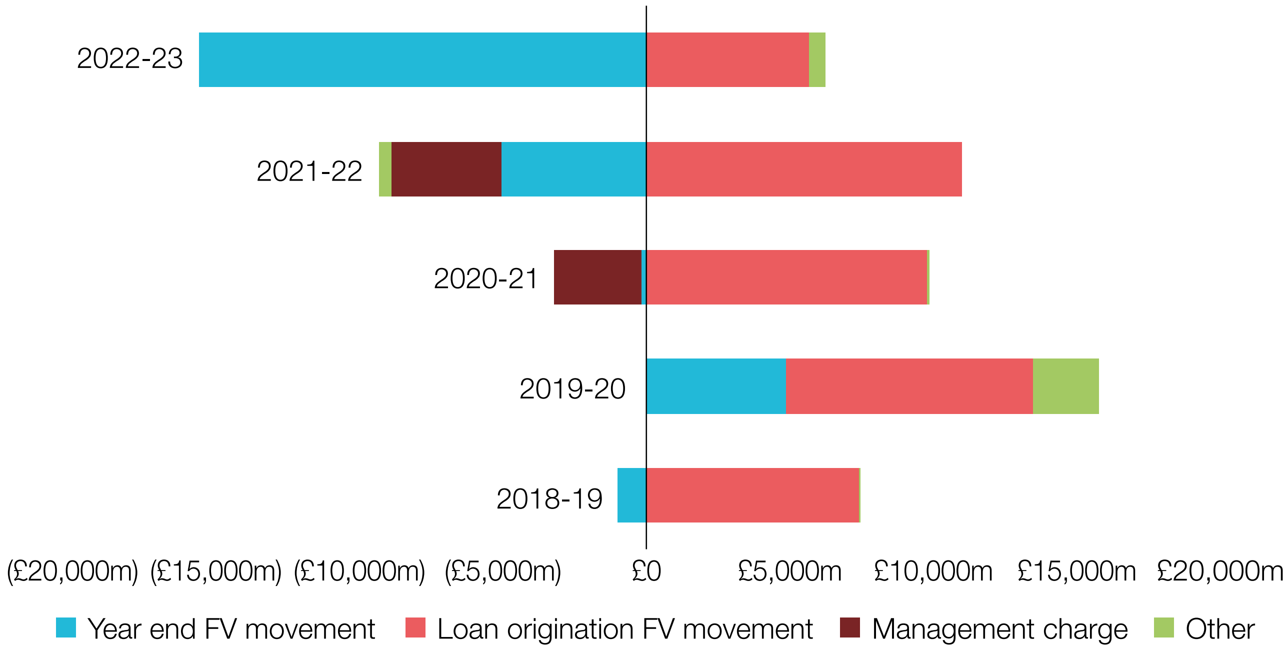
Estimates to Outturn, 5-year comparison



Programme spend represents the majority of the Group's spending to support its policy responsibilities across the education and CSC sectors. Programme spending (presented as non-student loans activities above) has increased across all the years included above as the Department continues to invest in its priorities.

The variability in both RDEL-programme Estimates and outturn arises from the volatility in student loan values, which are driven by student loan fair value movements through their exposure to discount rates and loan performance. The graph below presents a five-year analysis of student loan RDEL outturn split into the two main drivers: the initial fair value loss on loan origination and the year end fair value loss/gain for all loans.

Analysis of student loan RDEL outturn



The graph above includes the management charges levied in the prior two years when the student loan origination fair value loss exceeded a threshold set by HMT. The management charge is only levied by HMT when the fair value loss at loan origination exceeds a threshold set for the year by HMT. If the charge is raised, the fair value loss above the threshold is charged to RAME not RDEL. The excess RAME outturn is then recycled back through RDEL evenly over the next thirty years.

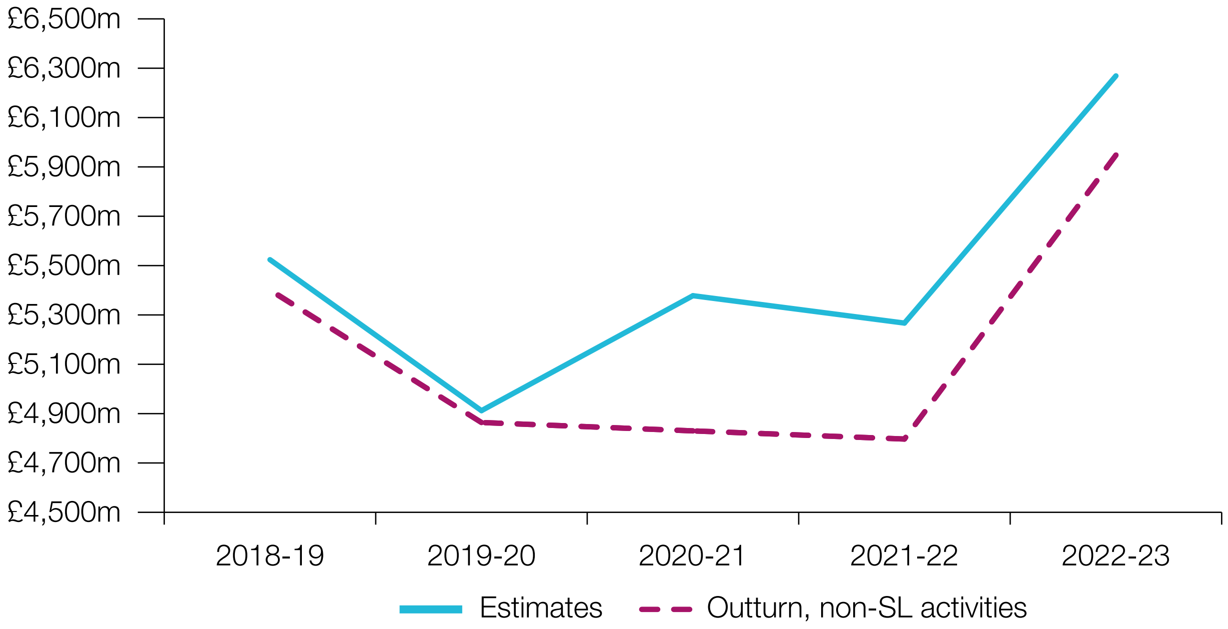
The management charge resulted in the excess RDEL costs above the threshold being reclassified as RAME in year incurred. No management charge was levied in the current year and the 2020-21 and 2021-22 reclassifications to RAME have been released without any further impact to the Group's outturn. The main driver of the overall RDEL movement is the year end fair value movement.

The year end fair value movement is impacted by the modelling inputs (described in more detail in note 12.3) especially the discount rate, earnings forecasts and RPI forecasts. The large fair value gain this year is a result of the high year end RPI value creating a much larger than previous years unwinding of the discount applied to the year end fair value. The fair value gain was also responsible for approximately half of the £40 billion improvement to the Group's net assets across the two years, which can be attributed to the difference in student loan carrying values at both year ends. The other £20 billion improvement is net lending in the year, which scores as CAME outturn.

Capital DEL

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

Estimates to Outturn, 5-year comparison



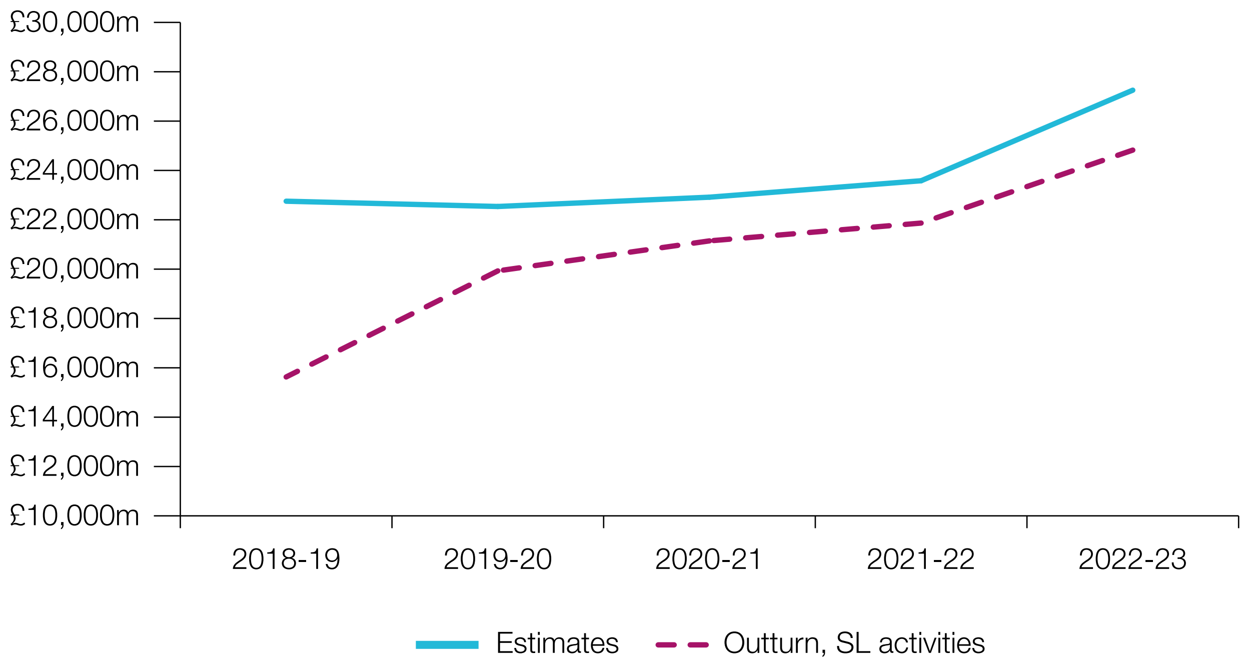
The majority of our capital investment (in a budgetary context) is spent on the school estate, including creating new school places and to fund maintenance of buildings. It also includes major programmes, delivered directly by the Group, to build new schools and rebuild existing school buildings in response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

Peak Estimates was this year following the successful Spending Review bid for additional budget cover to expand our work in renovating school buildings. The increase in outturn reflects the increased funding for both Department delivered capital programmes and funding directly to education providers as part of the government's significant commitment to transforming the condition of the education estate.

Capital AME

The graph below presents a comparison of Estimates to outturn for CAME across the last five years. There is no material CAME spend on non-student loan activities. Consequently, the graph below only presents student loan activities.

Estimates to Outturn, 5-year comparison

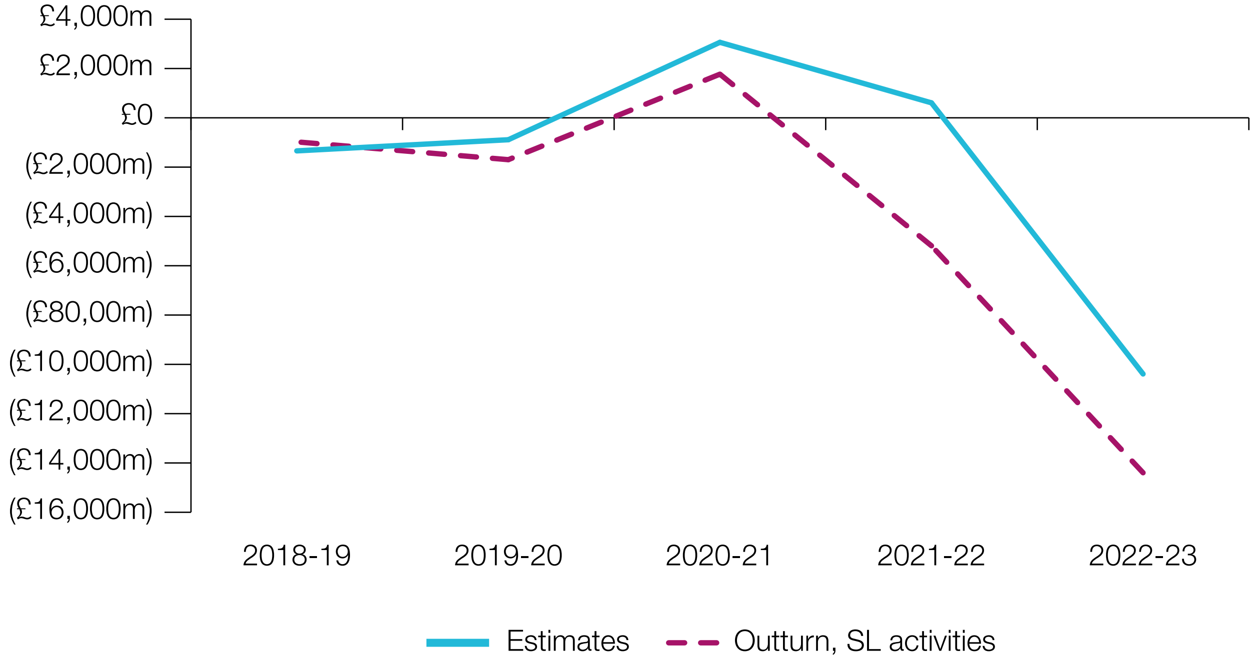


The main driver of CAME is the creation of new student loans through either loan advances or capitalised interest. Both of these balances are largely predictable based on expected student numbers, and so do not have the same volatility as RDEL (driven by loan performance).

Resource AME

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

Estimates to Outturn, 5-year comparison



The overall negative RAME balances (income) reported above are driven by student loan unwinding of the discount applied which is significantly larger than the Group's levy-funded bodies (CITB and ECITB) which report their activities as AME.

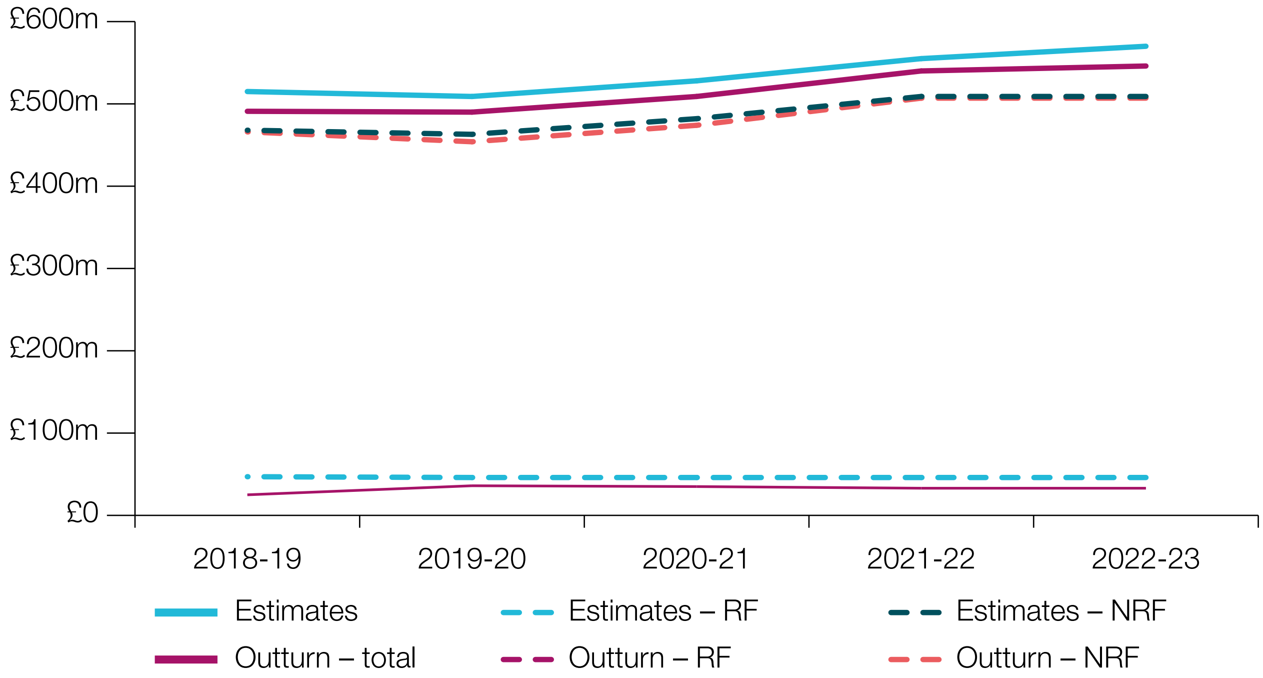
The increase in 2020-21 from the prior year trend was caused by the £3 billion student loan management charge levied by HMT. The 2021-22 management charge was broadly stable compared to 2020-21 at £4 billion. No management charge was levied this year.

The significant downward movement across the last two years has been driven by an increase in the scale of the unwinding of the discount, caused by the increase in RPI across the two years from 1.5% in March 2021 to 13.5% in March 2023. The actual movements have been more than expected at each year's Supplementary Estimates, where we planned for a smaller increase in RPI. The result has been to drive the underspends against Estimates seen for the last two years above.

Resource DEL Admin

The graph below presents a comparison of Estimates to outturn for RDEL Admin across the last five years. Since there is no Admin spend on student loan activities, the graph below presents the Group's admin activities split between ringfenced (RF) and non-ringfenced (NRF) activities. The majority of ringfenced spend refers to non-cash balances such as depreciation, amortisation and non-student loan fair value losses. Non-ringfenced spending refers to more cash-based operational costs.

Estimates to Outturn, 5-year comparison



The Admin budget supports the cost of running the Group and is strictly controlled by both the Department and HMT. It is by far the smallest budget allocation provided to the Group. The budget has remained broadly stable across the last five years from a high of £570 million (2022-23) to the low of £490 million (2019-20).

As the above chart shows the Group has successfully managed its Admin spending for both ringfenced and non-ringfenced activities.

Significant events

COVID-19 education recovery

Addressing the long-term impacts of the pandemic is a factor across the Department's responsibilities, as well as our bespoke Education Recovery programmes. Progress in supporting our institutions, children and young people to catch up on lost learning due to COVID-19 disruption can be found within the detailed analysis of Priority Outcome 2, from page 67.

Industrial action

The Industrial Relations division was set up in November 2022 to co-ordinate the Department's response to industrial action in the education sector. The division led on:

- Providing advice to ministers and working across the Department on intensive talks with unions and on managing industrial action.
- Liaising with other government departments and preparing ministers, COBRA and cross-government ministerial meetings on addressing strike impacts on the public.
- Co-ordinating teams across the Department to mitigate the impact of school strikes on pupils through guidance and sector engagement.
- Co-ordinating teams across the Department to gather and publish data on the impact of strikes.
- Co-ordinating the Department's input into the Strikes (Minimum Service Levels) Bill, supporting the bill in its passage through Parliament and developing the policy on a minimum service level in education and voluntary agreements.

Russia's invasion of Ukraine

Since the start of Russia's invasion of Ukraine, more than 8.2 million people have fled the country (9 May 2023).[14] UNICEF data from 12 April 2022 showed that 2 million Ukrainian refugees were children – this figure is likely to be larger now. As of 8 May 2023, over 228,300 visas have been issued to Ukrainians and over 173,500 individuals have arrived in the UK.[15]

The Department operated a Ukraine Policy Response Team which supported Ukrainian families fleeing conflict. It did this by working closely with teams across the Department, government and external stakeholders to deliver rapid and co-ordinated support to Ukrainian families to help them thrive in England. This covered a range of issues including helping to ensure access to school places, higher education student finance and adult ESOL (English for Speakers of Other Languages) provision as well as signposting schools and colleges to available resources to support Ukrainian arrivals.

A key part of this work was collaborating with LAs to ensure access to education services for children and young people. The Department collected data on school applications and offers

14 https://data2.unhcr.org/en/situations/ukraine
15 https://www.gov.uk/government/publications/ukraine-family-scheme-application-data/ukraine-family-scheme-and-ukraine-sponsorship-scheme-homes-for-ukraine-visa-data--2

at LA level (from Ukrainian and other overseas children) to better understand the pressures faced by different LAs. The Department estimated that, by 27 September 2022, approximately 20,500 children and young people who arrived from Ukraine, had been offered a school place.[16] The Department also provided additional funding to LAs to support Ukrainian arrivals in their area. £171 million was provided to LAs to deal with the additional cost of the provision of services for children who entered via the Homes for Ukraine visa route during 2022-23.

Energy price crisis and cost of living

Education and care providers – much like the wider economy – are facing increased costs, including rising energy bills and staff pay and that the most vulnerable families, and young people, are feeling the impact of household budget pressures.

During 2022-23, the Department had a project team monitoring the impact of the cost of living and inflationary pressures, including energy prices. This work included analysing impacts, working across the Department and government on the response to inflationary pressures. The response included negotiating support with energy bills; with education settings benefitting from the Energy Bill Relief Scheme between October 2022 and March 2023 and from inclusion in the Energy Bill Discount Scheme from April 2023. The Department also allocated £500 million of additional capital funding in 2022-23 for schools and colleges to improve buildings and facilities, prioritising improvements to energy efficiency.

Additional funding was also announced at fiscal events to support providers. As a result of that additional funding, revenue funding for mainstream schools and high needs was £4 billion higher in 2022-23, compared to 2021-22, and is rising by another £3.5 billion in 2023-24 – an increase of £7.5 billion, or over 15%, in just two years. Furthermore, in this year's Spring Budget, the Chancellor announced transformative reforms to childcare. By 2027-28, this government will expect to be spending in excess of £8 billion every year on free hours and early education, helping working families with their childcare costs.

The Crown Commercial Service (CCS) purchases energy on behalf of the Department. CCS hedging activity took place before prices started rising last year, meaning that lower prices were locked in, and the long-term hedging strategy allowed CCS to manage costs during the exceptionally volatile trading conditions seen last summer. By purchasing almost all of 2022-23 energy before the spike, the CCS and the Department was protected from the energy price crisis. It is likely the impact from the energy price crisis will be realised in later financial years.

16 https://explore-education-statistics.service.gov.uk/find-statistics/school-placements-for-children-from-outside-of-the-uk/2022-august

Performance Analysis

The Performance Analysis section of the ARA sets out in greater detail than the previous overview the Group's performance against its objectives. We report performance against our four Priority Outcomes, and the associated key performance indicators (KPIs), described in our ODP[1] from below to page 88. KPIs and the accompanying narrative can be financial or non-financial (such as attendance) and cover financial years or academic years depending upon what is suitable for the issue being described. Unless otherwise stated all financial disclosures refer to financial years.

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

- additional analysis of TME by budget type and business group, from page 89
- a summary of strategic enablers, from page 101
- non-financial performance reporting, from page 104

Our vision

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

Performance against our Priority Outcomes

In order to manage our POs we have divided each PO into several lower-level outcome strategies (OSs) which are assigned to named senior management to deliver against.

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

United Nations Sustainable Development Goals

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

The UN Sustainable Development Goals (UN SDGs) are part of the 2030 Agenda, a package of goals aimed at securing an end to poverty and promoting peace and prosperity globally. The UK played a leading role in the negotiations, and UN members signed up to the UN SDGs in September 2015. The UK presented a Voluntary National Review in July 2019 to the UN High-Level Panel Forum, demonstrating progress towards the UN SDGs.

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

How our work contributes to the UN SDGs

UN SDG	PO1	PO2	PO3	PO4
UN SDG 1 – End poverty in all its forms everywhere[17]			•	
UN SDG 3 – Ensure healthy lives and promote wellbeing for all at all ages[18]	•	•	•	•
UN SDG 4 – Ensure inclusive targets and equitable quality education and promote lifelong learning opportunities for all[19]	•	•	•	•
UN SDG 8 – Decent work and economic growth[20]	•			
UN SDG 10 – Reduce inequality within and among countries[21]	•	•	•	•
UN SDG 16 – Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels[22]			•	

More information about the goals and targets can be found at the links provided.

17 https://sdgs.un.org/goals/goal1
18 https://sdgs.un.org/goals/goal3
19 https://sdgs.un.org/goals/goal4
20 https://sdgs.un.org/goals/goal8
21 https://sdgs.un.org/goals/goal10
22 https://sdgs.un.org/goals/goal16

PO1: Drive economic growth through improving the skills pipeline, levelling up productivity and supporting people to work

The Department is supporting the Prime Minister’s priority to boost economic growth by building a skills system that is employer focused, high-quality and fit for the future. Our skills reforms provide a ladder of opportunity that enables young people and adults to get good jobs and progress in their careers.

The first step on this ladder is to ensure that everyone can access impartial, lifelong careers advice and guidance, whenever they need it, regardless of age or circumstance, empowering them to progress into work or the next stage of their career.

Secondly, learners will have access to high-quality qualifications, underpinned by our work to simplify and strengthen qualifications at Level 3 and below, our Higher Technical Qualifications programme, and our HE reforms. All learners should be confident that their chosen course will set them on a path to success and give employers confidence that employees will have the skills needed to grow their business.

Thirdly, we will champion apprenticeships and the skills employers need to improve productivity and economic growth. Quality education and training opportunities will equip young people and adults with relevant skills and LSIPs will ensure providers are reactive to local labour market needs. We will ensure the skills system is fit for the future through the Unit for Future Skills, ensuring we meet future as well as current employer needs.

The final rung of the ladder is strengthening lifelong learning, giving adults the chance to upskill or retrain at any stage of life. From 2025, our Lifelong Loan Entitlement will transform access to further and higher education, allowing everyone access to the equivalent of four years’ worth of student loans to use flexibly on quality education and skills training over their lifetime.

Ultimately, the ladder of opportunity will help more people to achieve secure, sustained, and well-paid employment and provide opportunities for individuals to progress in their careers. This will help build the skilled workforce that businesses need, boost productivity and our economy, seize the opportunities of technological change and our net zero agenda, and level up across the country.

We are also supporting the Prime Minister’s priority of improving numeracy. Through Multiply we are investing in adult numeracy in local areas right across the UK; further investment planned for the Spending Review period will help transform the lives of adults by improving their functional numeracy skills. We are also delivering the Prime Minister’s commitment that every young person will study some form of maths up to the age of 18.

The Department is also working to address pressures on the system and support providers to deliver, and learners to participate in, high-quality skills education and training. This includes investing in a package of direct support for the FE workforce in 2022-23, to continue to support the FE sector with the recruitment, retention, and development of teachers. We have a national recruitment campaign and Teach in FE service to support prospective FE teachers into jobs. We continue to offer FE teacher training bursaries in priority subjects; applications for the AY2023/24 opened on 7 March 2023, with increased bursary values of up to £29,000 each tax-free.

In 2023-24 we will be using £125 million of available funding to: invest an extra £85 million to support all institutions' costs by increasing the national funding rate by 2.2% from £4,542 in 2022/23 to £4,642 in 2023/24; and invest £40 million in subject specific funding, including increasing programme cost weightings to support providers with increased costs of recruiting and retaining staff in construction, engineering and digital subject areas.

To support FE providers of adult skills in the current economic landscape, we are increasing provider earnings within Adult Education Budget (AEB) for AY2022/23 and AY2023/24, in non-devolved areas. We will apply a 2.2% increase to the final earnings for all AEB formula-funded provision (excluding associated learner and learning support). In addition, we will apply a 20% boost on top of earnings for all AEB formula-funded provision in six sector subject areas: engineering; manufacturing technologies; transport operations and maintenance; building and construction; ICT for practitioners; and mathematics and statistics.

PO1-OS1 – Expand and raise the profile of technical and higher technical education

Business group owner: Skills Group

KPI: None specified in outcome delivery plan

During AY2022/23 we continued to develop and improve the technical education offer via progressing our reforms to Post-16 Qualifications at Level 3 and below, continued the rollout of T Levels and commenced the first-year teaching of Higher Technical Qualifications (HTQs).

In May 2022 we published the review of post-16 qualifications at Level 3 and below in England.[23] In March 2023 we published the final list of qualifications that overlap with waves 1 and 2 T Levels[24] including health and science T Levels.

We introduced six new T Levels in September 2022, with 16 T Levels now available during AY2022/23 across all regions of the country. Summer 2022 saw the first cohort of T Level students complete their courses, with an overall pass rate of over 92%. In total, approximately 16,600 students have studied all or part of a T Level since September 2020. We have continued to invest in the roll-out of T Levels by, providing funding to support both providers and employers.

The T Level Transition Programme has been offered by 72 providers during AY2022/23. In total, approximately 9,800 students have studied all or part of a T Level Transition Programme since September 2020.

HTQs are designed to give students the skills that employers need and allow progression into a higher apprenticeship or a degree. HTQs commenced teaching during AY2022/23 with Digital HTQs the first of 15 technical routes that will be rolled-out by September 2025. We are

23 https://www.gov.uk/government/publications/review-of-post-16-qualifications-at-level-3-in-england--2
24 https://www.gov.uk/government/publications/qualifications-that-overlap-with-t-levels

supporting providers to deliver HTQs via the Skills Injection Fund which will help support delivery with capital and resource funding.

PO1-OS2 – Boost skills of those at risk of unemployment due to the pandemic and drive growth in apprenticeships careers

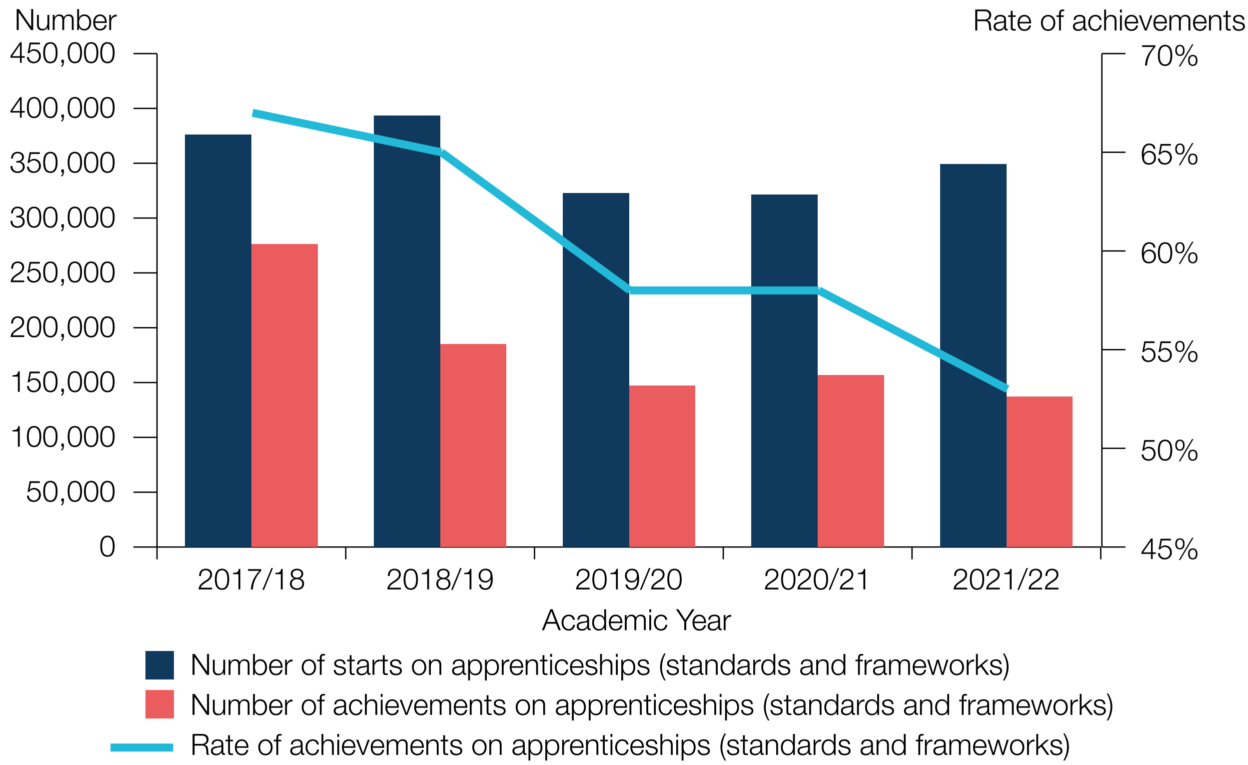
Business group owner: Skills Group

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

Note: This table shows data for total number of starts, and achievements and total rate of achievements. There are a small number of starts on frameworks that have been reported in AY2021/22. All remaining frameworks were withdrawn to new learners on 31 July 2020. Learners who started on frameworks after this date had authorisation to return to a previous framework following a break.

The Department publishes data[25] for standards only, frameworks only and total starts, achievements and achievement rates.

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



The COVID-19 pandemic has significantly impacted apprenticeships KPIs. The 349,200 apprenticeships starts reported for AY2021/22 are 8.6% higher than the 321,400 reported for AY2020/21 and 8.3% higher than the 322,500 reported for AY2019/20. Whilst they are 11.2% lower than the 393,400 reported for AY2018/19, this reflects the negative impact of

25 https://explore-education-statistics.service.gov.uk/find-statistics/apprenticeships-and-traineeships

the COVID-19 pandemic on apprenticeship starts. Data indicates a partial recovery in starts in AY2021/22 compared to AY2019/20 and AY2020/21.

Apprenticeships can take more than a year to complete and the reductions in starts in AY2019/20 and AY2020/21 are reflected in the reduction in number of achievements in AY2021/22. Whilst the 137,200 achievements reported for AY2021/22 are lower than previous years, provisional in-year achievements data for the first two quarters of AY2022/23 are 21.8% higher compared to the same period in AY2020/21.

To drive improvements in starts and achievements, we are maximising the range and knowledge of opportunities and minimising any barriers to entry for employers of all sizes, learners from all backgrounds, and training providers. From 3 April 2023, small employers who do not pay the apprenticeship levy will no longer be limited to a maximum of 10 new apprenticeship starts, meaning they can recruit as many apprentices as they need.

Apprenticeship standards were phased in to replace frameworks as part of a wide-ranging reform programme 2017-2021 to embed higher quality in apprenticeships through more rigorous programmes designed to meet the needs of employers – this affected the achievement rate, which for standards was 51.8% in AY2020/21. We have a clear and stretching ambition for an increased achievement rate on apprenticeship standards of 67% by the end of AY2024/25 and early data for AY2022/23 suggests an improving picture.

Data referenced in this commentary is available here.[26]

PO1-OS3 – Encourage world-class high-quality provision and streamlining funding and accountability

Business group owner: Skills Group

KPI: None specified in outcome delivery plan

Reform of FE funding and accountability systems

We have continued to support post-16 institutions to deliver the high-quality provision that leads to good outcomes for individuals, employers and local areas. As part of fulfilling the commitments in the Skills for Jobs White Paper, in July 2021 and July 2022, we conducted two public consultations on reforming the FE adult funding and accountability systems and worked with key stakeholders to deliver the proposed reforms. We are creating:

A simpler and more effective system

By simplifying the funding system through a single skills fund to be introduced in AY2024/25; simplifying funding which supports new investment, by moving to a single funding stream for all development funding in the next Spending Review. We will introduce a multi-year approach to give both mayoral combined authorities and providers more certainty and improve data quality by investing in better collection, storing, and sharing systems, reducing the administrative burdens for providers.

26 https://explore-education-statistics.service.gov.uk/find-statistics/apprenticeships-and-traineeships

A system focused on delivering good outcomes

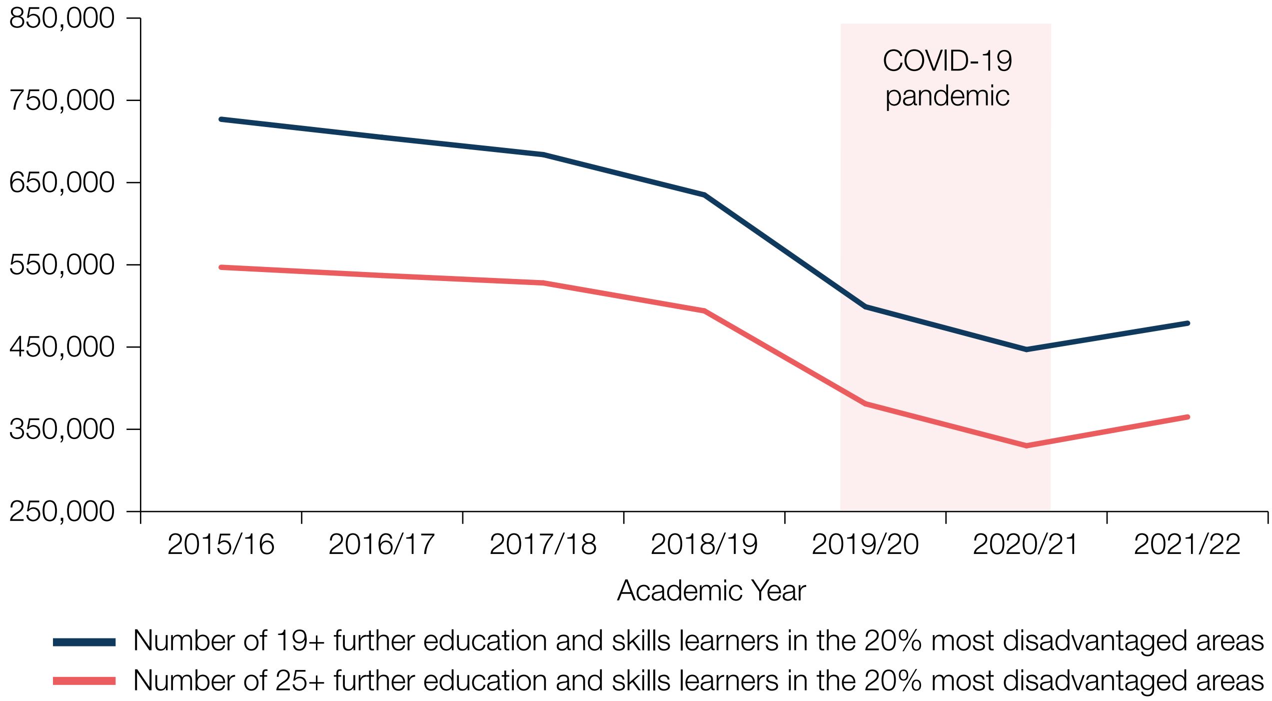
For learners, employers, and the taxpayer by creating a new set of funding rates for adult skills to both simplify funding and boost funding for training in areas of greatest skills need; and supporting providers in developing new, innovative provision by giving them more flexibility in how they use their skills fund allocation. We have introduced a statutory duty to regularly review provision and asking providers to set out how they are meeting local skills needs in new accountability agreements and are developing a performance dashboard to help providers measure their performance and benchmark against peers, which is currently in the user-testing phase. We have co-designed with DLUHC a new devolution accountability framework which sets out the mechanisms to oversee all English institutions with devolved funding powers.

PO1-OS4 – Increase the opportunities adults and young people have to access FE and HE

Business group owner: Skills Group

KPI: Number of 19+ and 25+ further education and skills learners in the 20% most disadvantaged areas

Number of 19+ and 25+ further education and skills learners in the 20% most disadvantaged areas



A range of provision is available for young people aged 16-24 to equip them with the skills and experience they need to progress, including support to help minimise time spent NEET (Not in Education, Employment or Training). 12.3% of 16-24-year olds were NEET[27], down a quarter since 2010 (15.6%).

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

The Tuition Fund enables FE and sixth form colleges, sixth forms and 16-19 education providers to arrange one-to-one and group tuition for disadvantaged students. This will, alongside other education recovery programmes, allow young people to catch up on vital teaching/learning.

Free Courses for Jobs was introduced to increase uptake of high-value Level 3 qualifications. 39,430 enrolments were reported between April 2021 and January 2023 across England.[28]

Skills Bootcamps are free, flexible courses of up to 16 weeks, giving adults aged 19+ the opportunity to build up sector-specific skills, with a job interview offer on completion. We aim to deliver 64,000 training places a year by 2024-25 from their launch in 2020-21.

A brokerage scheme was introduced autumn 2022 to increase apprenticeship job opportunities in small medium enterprises in the North West, North East and Yorkshire. We will test and evaluate this approach over the next year, to see how effective it is in growing opportunities for individuals and increasing productivity for business.

The LLE will be delivered from AY2025/26, providing individuals with a loan entitlement to the equivalent of four years of post-18 education to use over their working lives (£37,000 in today's fees). It will be available for both full years of study at higher technical and degree levels, as well as modules of high-value courses, regardless of whether they are provided in colleges or universities.

OfS issued guidance on its reboot of access and participation plans, with higher education providers having been asked to rewrite their plans to focus on boosting school attainment and opening up diverse pathways.

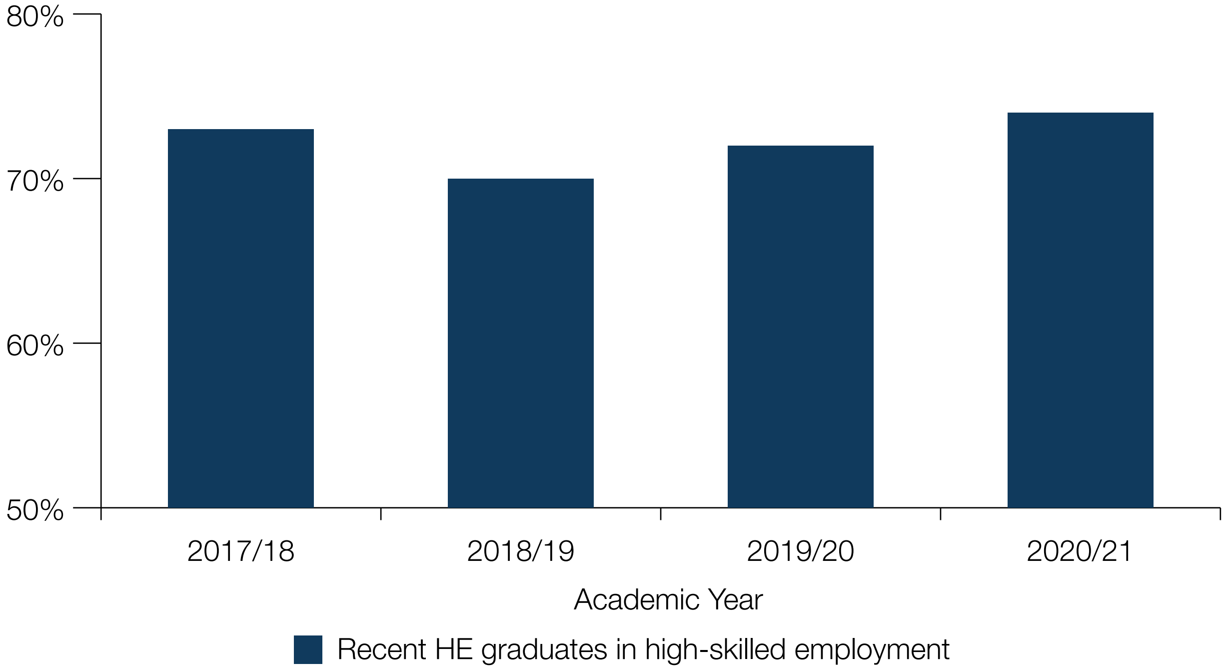
PO1-OS5 – Ensure HE and technical education support the UK's economic need and improve outcomes for the individual

Business group owner: Skills Group

KPI: Percentage of recent HE graduates in high-skilled employment

28 https://www.gov.uk/government/statistics/further-education-and-skills-march-2023

Percentage of recent HE graduates in high-skilled employment



The Group publishes statistics via the OfS on progression to professional occupations or further study fifteen months after graduation. These statistics are based on the Higher Education Statistics Agency's (HESA's) Graduate Outcomes survey.

The key finding is a dip in progression rate for AY2018/19 graduates, but then there were two consecutive increases for their AY2019/20 and AY2020/21 counterparts. AY2020/21 graduates also had the highest progression rate over the four-year time-series. Students who graduated in summer 2019 were surveyed in autumn 2020, during the height of the pandemic. These statistics suggest that progression rates were impacted by the COVID-19 pandemic but have begun to return to pre-pandemic levels. This interpretation is consistent with wider labour market trends reported by ONS (see HESA's Impact of the Covid Pandemic on Graduate Outcomes 2019/20[29]).

Note that we have restated this KPI, and the graph above, using a new OfS metrics for progression, first published in September 2022. This satisfies one of the three OfS conditions that providers must deliver positive outcomes for students on their higher education courses. These metrics are used to regulate quality in higher education and are thus the most appropriate source for this KPI. Further information on these metrics can be found on the OfS student outcomes dashboard.[30]

29 https://www.hesa.ac.uk/insight/16-06-2022/impact-covid-19-graduate-outcomes
30 https://www.officeforstudents.org.uk/data-and-analysis/student-outcomes-data-dashboard/data-dashboard/

PO2: Level up education standards so that children and young people in every part of the country are prepared with the knowledge, skills and qualifications they need

Our vision is to improve the opportunities available to children and young people – levelling up education across England. This outcome focuses on ensuring children are safe, well and attaining, with a particular focus on driving improvements in English and maths, and for children who are disadvantaged and those with SEND.

We remain focused on building on the positive progress since 2010 and continuing to respond to the impact of the COVID-19 pandemic.

PO2-OS1 – Support children and young people to catch up on lost learning due to COVID-19 disruption

Business group owner: Schools Group

KPI: None specified in outcome delivery plan.

We continue to focus on recovery through delivery of a multi-year programme, where we have made almost £5 billion available across education settings. Support is especially focused on using evidence-based approaches in helping the most disadvantaged, vulnerable or those with least time left in education.

Early years

We are investing up to £180 million in a package of training, qualifications, expert guidance and targeted support for the early years sector. Delivery in 2022-23 included:

- training for early years practitioners in communication, language and early maths, training additional SEN co-ordinators
- the introduction of leadership training through the new National Professional Qualification in Early Years Leadership
- sector support through the national rollout of the Experts and Mentors programme and appointment of the first Stronger Practice Hubs

Schools

The National Tutoring Programme (NTP) is supporting disadvantaged pupils to boost their learning and catch up on lost education through targeted tutoring sessions. The programme exceeded its ambitious target of two million tutoring courses in AY2021/22, providing 2.1 million tutoring courses across 87% of schools in England. Overall, the programme has delivered over three million courses since its launch in November 2020.

The recovery premium provided over £524 million budget (of which £514 million was spent in the year) for state-funded schools in 2022-23, in total £1.3 billion has been made available (£300 million for schools for AY2021/22 and £1 billion split across AY2022/23 and AY2023/24). Building on the pupil premium, this current year funding helped schools to deliver evidence-based practices to support the most disadvantaged pupils.

Teacher development reform: research shows teacher quality is the single biggest determinant of pupils' outcomes within school and a significant amount of the recovery package focused on enhancing the existing plans to improve our offer for teacher and leader development.

Since the Early Career Framework (ECF) reforms in September 2021 we have:

- introduced the digital service for schools to register their early career teachers and mentors
- created and reviewed high-quality materials for mentors and early career teachers
- shared guidance with Lead Providers on delivering an ECF-based induction flexibly

Since the launch of NPQs in 2021 we have:

- confirmed full scholarship funding for publicly funded schools and colleges continues until AY2023/24
- introduced the Targeted Support Fund
- delivered 29,425 funded NPQs in AY2021/22
- introduced two additional NPQs and announced development of the SEN co-ordinators and Maths NPQs

The Accelerator Fund successfully completed its first year of delivery in AY2021/22.

- English Hubs delivered funding to over 500 schools to purchase the Department's validated phonics programmes and offered personalised expert support on successful long-term implementation
- Maths Hubs delivered the Checkpoints and Mastering Number programmes
- the Education Endowment Fund (a third party) supported delivery of 20 programmes to over 1,500 schools

16 to 19 education

The 16 to 19 tuition fund is targeted at students in most need, offering small group tuition to recover lost learning. For AY2020/21 to AY2023/24, we have made available funding of up to £420 million for this one-to-one and small group tuition for 16- to 19-year-olds. The fund is expected to enable schools and colleges to deliver up to 700,000 tuition sessions each year.

We are also investing over £800 million across the next three academic years from AY2022/23 to fund an average of 40 additional learning hours for band 5 and T Level students in 16 to 19 education (and a proportionate increase for those in lower bands). We estimate this will recover approximately one month's learning per annum.

Additional hours will support all students to help ensure gaps in learning caused by disruption to education are bridged and is aimed at uplifting hours to bring us closer to high performing international comparator countries.

PO2-OS2 – Raise the quality of teaching and leadership in all areas of the country

Business group owner: Schools Group

KPI: postgraduate initial teacher training (PGITT) candidates compared to previous year

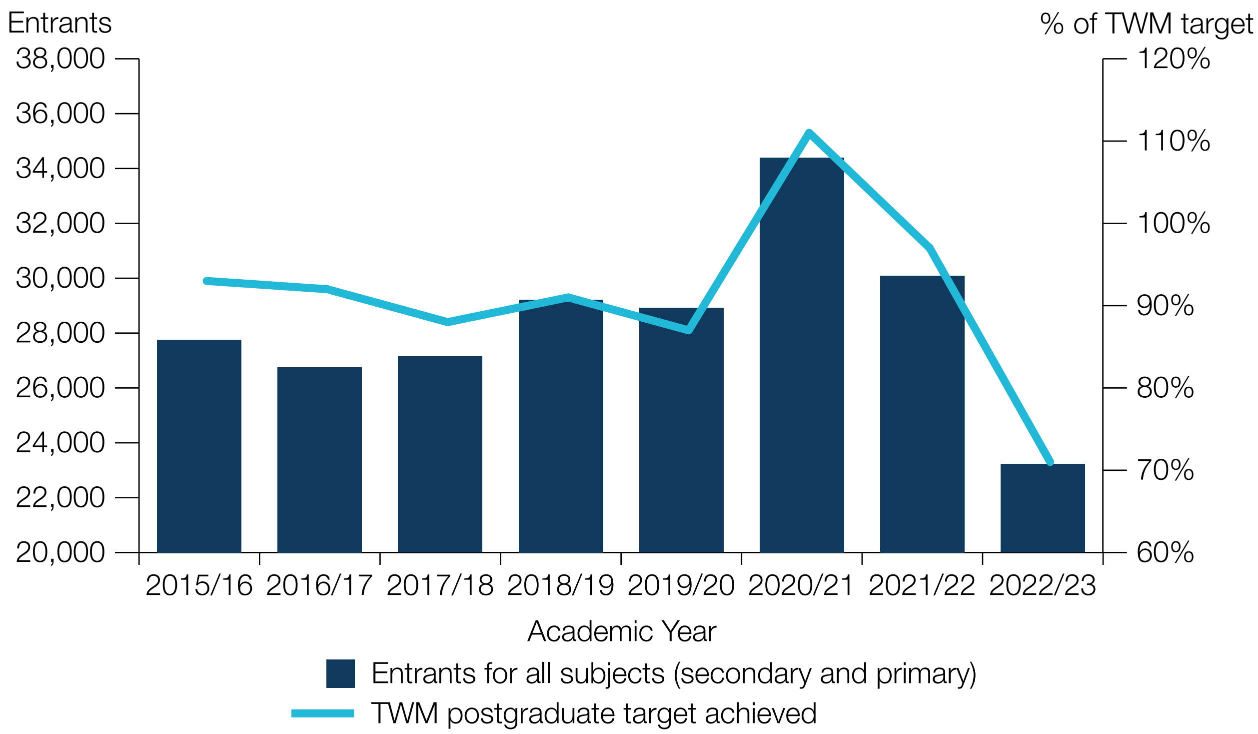
Postgraduate initial teacher training (PGITT) applications compared to previous year

Date	Candidates	Difference compared to previous year
March 2023	25,163	1,899
March 2022	23,264	(3,906)
March 2021	27,170	4,980
March 2020	22,190	90
March 2019	22,100	(330)
March 2018	22,430	N/A

In a change from the previously published figures, the table above now shows unique candidates rather than the applications to PGITT. Recent policy changes have meant that candidates can submit more applications making comparisons of applications to previous years difficult.

There was an unprecedented increase in candidates applying to initial teacher training (ITT) in AY2020/21 because of the COVID-19 pandemic, and numbers have been lower in the last two years as the graduate and general labour markets became more competitive and pay has risen in competing sectors. However, applicant numbers at March each year were still higher than pre-pandemic years. There has been a significant increase in the number of candidates applying from outside the UK in this current recruitment cycle compared to last year. However, many of these candidates are not being offered a place in ITT or converting their application into acceptances. As of March 2023 there were 20,451 candidates from the UK compared to 21,543 the previous year. The teacher workforce model (TWM) is used by the Department to set PGITT targets. Figures for AY2022/23 in the charts below are provisional and are subject to change.

PGITT starts by secondary and primary subjects compared to the target set using the teacher workforce model (TWM)

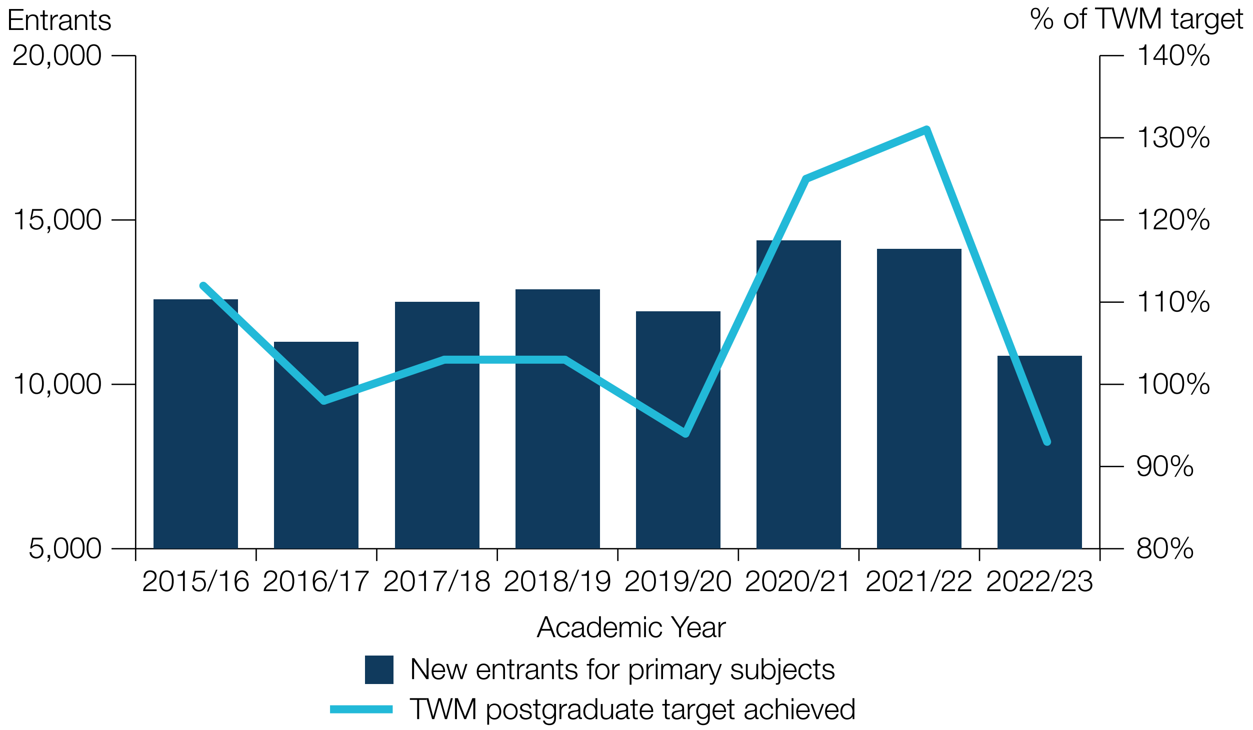


In AY2022/23 we have seen 23,224 new entrants to PGITT, this is 71% of the PGITT target of 32,600 new entrants, down from 97% of target in AY2021/22.

Teacher recruitment has been challenging for several years, driven by increasing demand for teachers in particular phases and subjects, and historic under-recruitment in certain subjects.

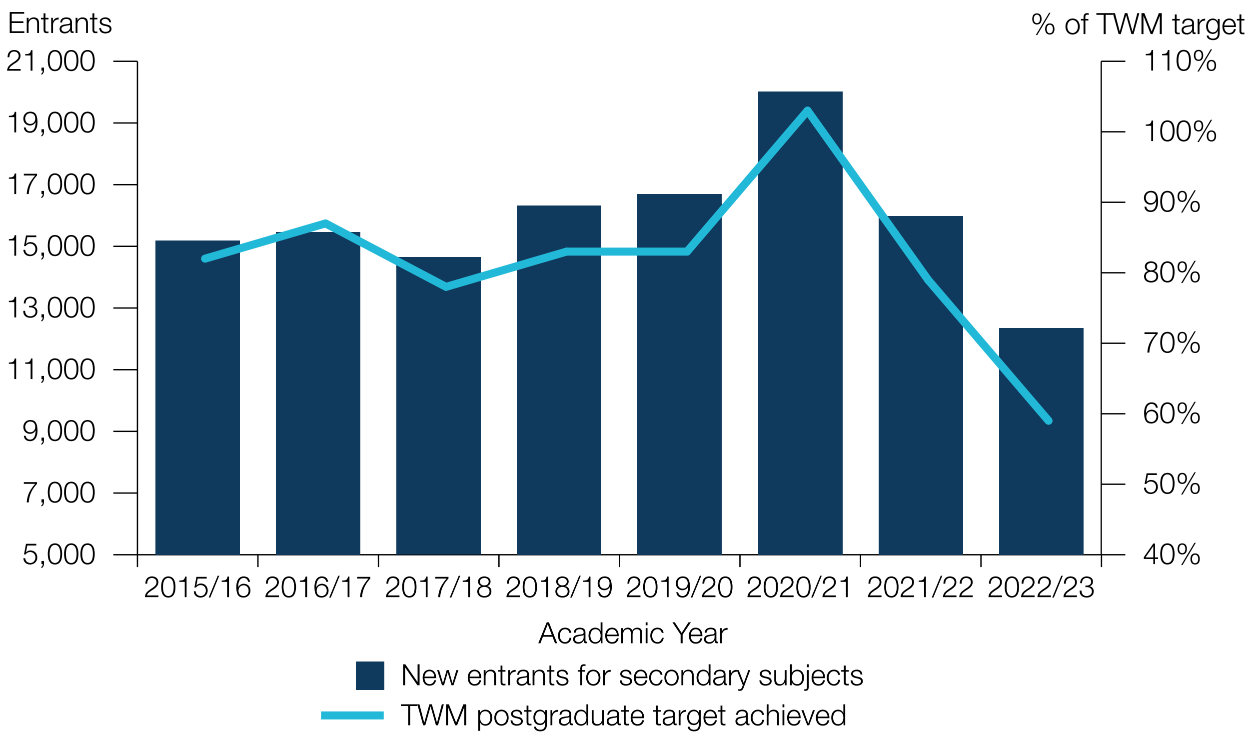
As expected, the unprecedented increase in new entrants to ITT we saw in AY2020/21 because of the COVID-19 pandemic has declined over the past two years. The graduate and general labour markets became (and continue to become) more competitive and pay has risen in competing sectors, especially in priority STEM subjects.

PGITT starts by primary subjects compared to the target set using the TWM



For primary, recruitment performance against the PGITT target decreased from 131% in AY2021/22 (14,110 new entrants) to 93% in AY2022/23 (10,868 new entrants). Although this year the number of new postgraduate entrants to primary was below target by 7%, we have seen strong recruitment in primary in recent years achieving 131% of the PGITT target in AY2021/22, and 125% in AY2020/21.

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



In AY2022/23, 59% of the overall secondary PGITT target was achieved (12,356 new entrants), down from 79% in AY2021/22 (15,983 new entrants). ITT providers recruited 4,058 postgraduate trainees in secondary STEM subjects (representing 54% of the AY2022/23 PGITT STEM target).

For individual STEM subjects, performance against targets varied:

- mathematics, 1,844 new entrants – 90% of the target of 2,040 trainees was achieved
- chemistry, 758 new entrants – 86% of the target of 885 trainees was achieved
- biology, 664 new entrants – 85% of the target of 780 trainees was achieved
- computing, 348 new entrants – 30% of the target of 1,145 trainees was achieved
- physics, 444 new entrants – 17% of the target of 2,610 trainees was achieved

ITT providers recruited 8,394 postgraduate trainees in secondary EBacc subjects (representing 62% of the AY2022/23 PGITT EBacc target) and 3,962 postgraduate trainees in secondary non-EBacc subjects.

PGITT targets were exceeded for classics (193%), drama (113%), history (133%) and physical education (143%).

The largest changes in reported performance against PGITT targets between the AY2022/23 and AY2021/22 training years have been seen for (first value given is for AY2022/23 followed by AY2021/22):

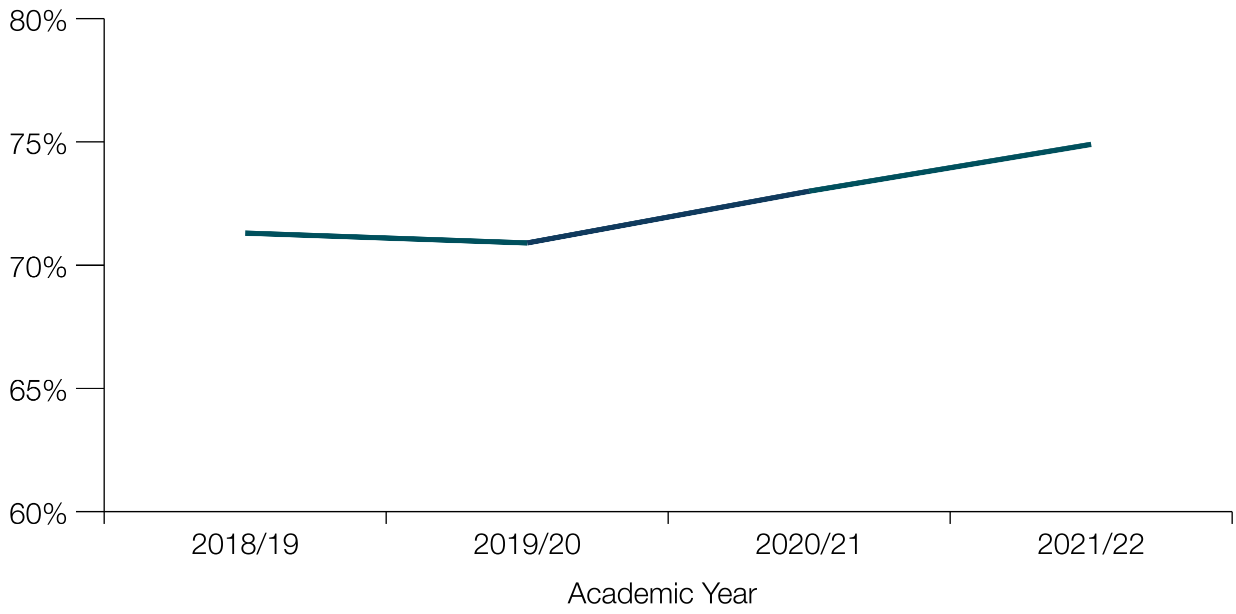
- history – 133% of target recruited compared to 193% of target recruited
- art and design – 90% compared to 134%
- computing – 30% compared to 66%
- English – 84% compared to 114%
- modern foreign languages – 34% compared to 69%

These changes reflect changes in targets (published on gov.uk) as well as changes in the number of new entrants.

Numbers of new entrants have increased this year in design and technology (up from 334 in AY2021/22 to 450 this year) and geography (624 to 656). Both of these subjects reintroduced a bursary for the AY2022/23 training year.

PO2-OS3 – Support schools to deliver brilliant lessons for every child and provide support on discipline and behaviour

Percentage of young people achieving GCSEs in English and mathematics by age 19



These figures have been revised to encompass Level 2 in English and maths across all qualifications, not just GCSE, to reflect current government policy.

The proportion of pupils gaining Level 2 in English and maths by age 19 is the highest on record in AY2021/22 at 74.9%. Level 2 English and maths attainment at age 16 remained stable between AY2014/15 and AY2018/19, but progression of pupils between the ages of 16 and 19 has driven this overall increase.

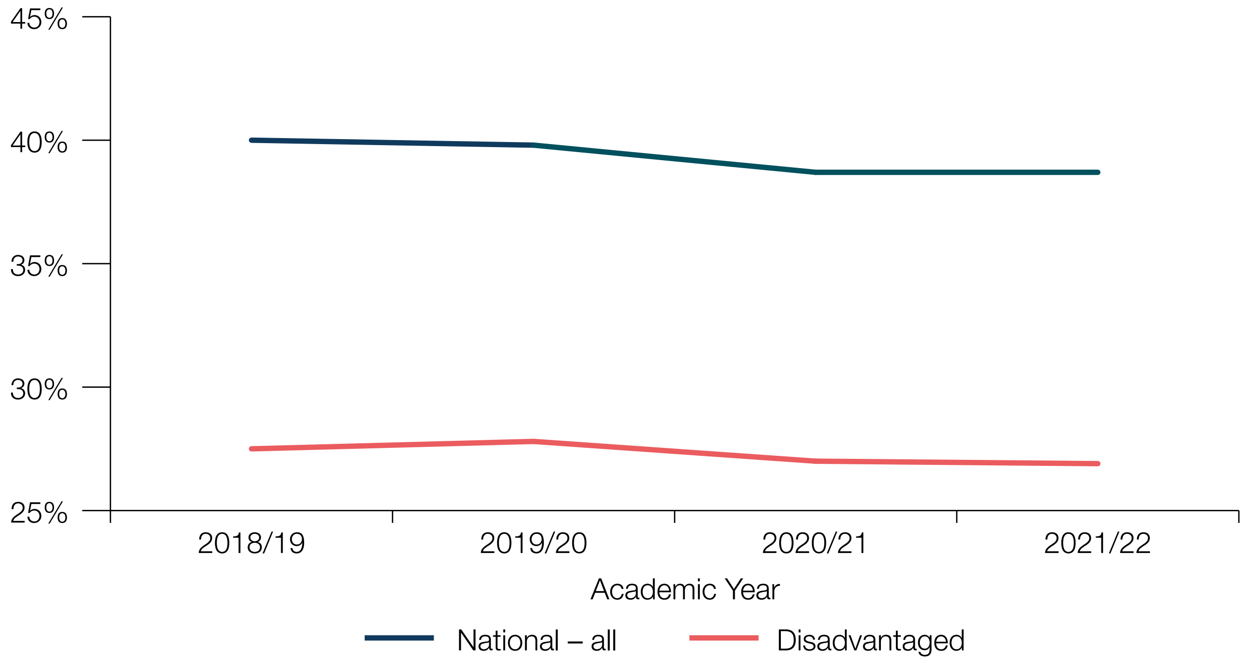
The proportion achieving Level 2 in English and maths between the ages of 16 and 19 is now the highest on record at 37%, which is a 9 percentage point increase on figures from AY2019/20. While this reflects the impact following the use of calculated/teacher assessed grades during the COVID-19 pandemic in AY2019/20 and AY2020/21, progression in Level 2 English and maths has been rising each year (except AY2019/20) since continued study of English and maths became a condition of funding in AY2014/15.

We fund a network of 40 maths hubs across England, coordinated by the National Centre for Excellence in the Teaching of Mathematics (budget of £31.6 million in 2022-23). On 17 April 2022 the Secretary of State set out plans to increase the reach and intensity of maths hubs support, including expanding the core Teaching for Mastery programme to reach 75% of primary and 65% of secondary schools by 2025.

In addition, the maths hubs programme will include mastery-focused professional development to support those who teach maths to 16-19-year-old GCSE resit and Functional Skills Qualification students. We are also investing up to £10 million over three years in professional development programmes for resit teachers in colleges, including training in mastery pedagogy for FE maths teachers.

We fund a network of 34 English hubs which are primary schools outstanding at teaching early reading (budget of £15.7 million in 2022-23). Since 2018 it has supported several thousands of schools across England.

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

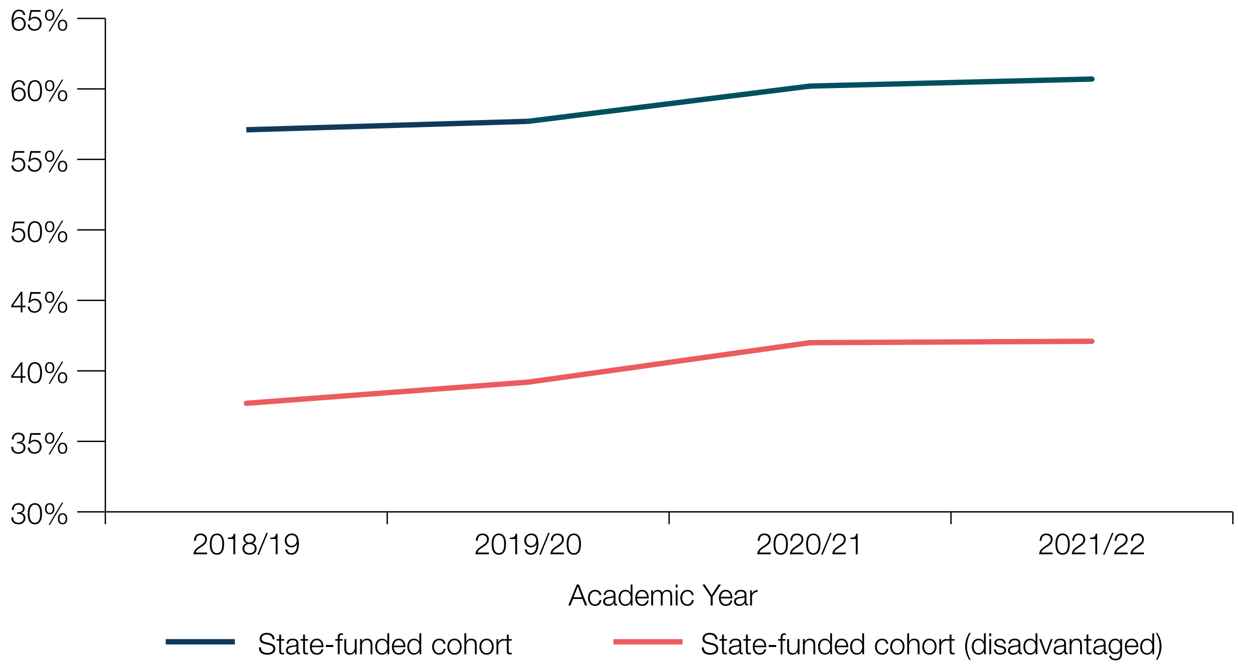


The government's 'ambition' for the EBacc is for 90% of Year 10 pupils to be studying the EBacc suite of GCSEs by 2025, for 2027 examination. The percentage of pupils studying the EBacc GCSEs in AY2021/22 was 38.7%.

There is no separate publicly stated government EBacc ambition for disadvantaged pupils, as achieving the 90% ambition cannot be achieved without placing as much emphasis on disadvantaged pupils entering the EBacc than for non-disadvantaged pupils. However, the proportion of disadvantaged pupils entering the EBacc suite of GCSEs is still too low despite rising from 8.6% in 2011 to 26.9% in 2022. The biggest barrier to achieving our EBacc ambition is low entry rates for languages GCSEs, which is currently 44.8%. Entry to each of the other subject 'pillars' of the EBacc – English, maths, science, humanities (history or geography) – exceeds 75%. Of those pupils who entered four or more of the EBacc subjects, 87.6% were missing the languages component in 2022. Increasing uptake in languages GCSEs is where we are likely to have the most impact in respect of moving towards our EBacc ambition and this is therefore our focus.

Reasons cited for pupils not opting for languages GCSEs are lack of enjoyment in the subject and a feeling that they are not making progress (Ofsted, 2015). The Department-funded National Centre for Languages Pedagogy developed new languages resources and schemes of work and was contracted to deliver continuous professional development to at least 1,350 teachers in 2022. Our new £14.9 million Language Hubs programme (of which £14 million was spent in the year) will seek to support quality language teaching, increase uptake of languages at GCSE and improve the transition between primary and secondary school to secure pupils' attainment, interest and enjoyment in language learning, as well as increase the profile of German in schools via a distinct German promotion project.

Percentage of young people attaining Level 3 by age 19



The prior year figures have been restated.

The proportion of students achieving Level 3 by age 19 has increased over the last four years, from 57.1% in AY2018/19, to 60.7% in AY2021/22. The rate for students from disadvantaged backgrounds is significantly lower (42.1% in AY2021/22), although the gap has narrowed slightly over the past four years, from 26.8 percentage points in AY2018/19 to 25.3 percentage points in AY2021/22.

It is important to note the potential impact of COVID-19 in the AY2020/21 and AY2021/22 academic years, and the use of teacher and centre assessed grades during this period. It is possible that these figures could reduce in subsequent academic years, as exams return to pre-pandemic arrangements.

Disadvantage gap index (key stage 4) – national

Academic year	Index
2021/22	3.84
2020/21	3.79
2019/20	3.66
2018/19	3.70

The key stage 4 disadvantage gap index reduced between 2011 and 2014 from 4.07 to 3.74 (indicating that the attainment gap between disadvantaged pupils and other pupils was becoming smaller). It then widened slightly in 2015 and 2016 to around 3.8, before narrowing to its joint lowest level at 3.66 in 2017. The gap index widened again going from 3.66 to 3.7 between 2017 and 2019. It narrowed slightly in 2020 to 3.66 when centre assessment grades were used to award exam grades, before widening again in both 2021 and 2022 where it now stands at 3.84, the highest level since 2012.

This should be read with the following caveats:

- Comparisons can meaningfully be made between the summers of 2022, the most recent year, and 2019, because on both occasions, summer exams were used to assess pupils.
- Given the unprecedented change in the way GCSE results were awarded in the summers of 2020 and 2021, as well as the changes to grade boundaries and methods of assessment for 2022, users need to exercise caution when considering comparisons over time, as they may not reflect changes in pupil performance alone.

Taking these caveats into consideration, the widening of the disadvantaged gap index may reflect the difficult circumstances that many pupils will have experienced over the last few academic years which saw various restrictions put in place in response to the COVID-19 pandemic that resulted in restricted attendance to schools and periods of home learning.

Support provided to schools on discipline and behaviour

Behaviour Hubs is a programme to improve pupil behaviour in schools that enables schools with exemplary positive behaviour cultures to work closely with schools that want and need to turn around their behaviour, alongside a central offer of support and a taskforce of advisers. The aim is for participating schools to improve their behaviour culture and for the Department to disseminate good practice across the country. The programme is fully funded by the Department and is open to primary, secondary, AP, special schools and MATs. The first hubs launched in April 2021 and are running for an initial period of three years, aiming to support up to 700 schools in this period. As of April 2023, there were 50 lead schools and 10 lead MATs. Training and support have been directly delivered to 458 schools and 41 MATs.

In July 2022, the Department published updated guidance on behaviour in schools and separately suspension and permanent exclusion statutory guidance following a consultation in the Spring of 2022. These documents provide further clarity and help to head teachers on how to manage behaviour well so they can provide calm, safe and supportive environments which children and young people want to attend.

In March 2022, the Department launched the national behaviour survey, a termly survey asking panels of pupils, parents, school leaders and teachers about their perception of pupil behaviour. The objective was to expand the evidence base on behaviour to support policy development. As the survey continues, it will allow the Department to build a national picture over time and better understand what is needed to support teachers and school leaders in practice.

PO2-OS4 – Raise school standards right across the country and support every school to join a strong family of schools, especially in areas where standards are weak

Business group owner: Schools Group

Percentage of schools, further education and skills providers rated good or outstanding by Ofsted

Date	State-funded schools	Non-association independent schools	Further education and skills providers
August 2022	88%	75%	81%
August 2021	86%	78%	83%
August 2020	86%	77%	80%
August 2019	86%	75%	81%
August 2018	86%	69%	80%
August 2017	87%	68%	79%
August 2016	86%	72%	81%
August 2015	82%		
August 2014	79%		
August 2013	77%		
August 2012	69%		
August 2011	69%		
August 2010	68%		

The Department is focused on continuing to improve standards in schools, providing the best education for children, including for those from disadvantaged backgrounds and with special educational needs.

The best way for this to happen is for all schools to be in strong families of schools, benefitting from the support of the best in the group, and the resilience that comes from being part of a larger group of schools. Over time, we would like all schools to be in a high-quality MAT – because we see the positive impact it can have on children's lives. If we get this right, then we will see the vast majority of schools in academy trusts before 2030.

The Department continues to offer support to LA maintained schools, single academy trusts and MATs through the Trust and School Improvement offer. The offer matches eligible schools with system leaders, who support schools and trusts to identify short term improvement actions and priorities and ensure there is sustainable improvement capacity in the long-term.

The Department's Trust Capacity Fund, worth £86 million between 2022 and 2025, offers funding to MATs to develop central trust capacity in order to take on additional schools. The new multi-year fund, which opened in April 2023, is focused particularly on the 55 education investment areas (EIAs) and within these 24 priority EIAs.

The number of free schools continued to grow over the last financial year. During 2022-23 44 free schools were opened across 35 LAs. At capacity, these schools will provide over 17,400 places.

At the end of March 2023 there were:

- over 9,500 academies
- over 650 free schools
- in total, 10,254 academies, free schools, UTCs and studio schools

In the year to 31 March 2023 we opened:

- 294 converter academies
- 69 sponsored academies – typically these replaced underperforming LA maintained schools
- 49 free schools

More than 7 out of 10 sponsored academies which were found to be underperforming as an LA maintained school in their previous inspection now have a Good or Outstanding rating.

The recently published Academies Regulatory and Commissioning Review[31] (March 2023) sets out a framework for growing the impact of the academies system, so parents and carers can be confident that their child will receive a high-quality education wherever they live.

Alongside the review, a series of Trust Development Statements[32] have also been published for the first time. These statements set out the priorities in EIAs for developing a trust landscape led by high-quality MATs to transform standards locally and turn around underperforming schools. Within EIAs, the Department will consider moving schools with successive 'Requires Improvement' Ofsted judgements into high quality MATs.

To develop the pipeline of outstanding leaders and increase the capacity and capability of MAT leaders leading sustainable growth at scale, the Department has also published the content that will underpin a MAT CEO development programme.

PO2-OS5 – Help schools drive the best value from school funding

KPI: None specified in outcome delivery plan

The school resource management programme supports schools to maximise the value of every pound. We have continued to evolve our suite of tools to ensure schools and trusts have the appropriate support to enable them to achieve this. Our training webinars support school leaders and business professionals to develop the skills, knowledge and capacity to achieve excellent school resource management, including in estate management, procurement and strategic financial planning. The Teaching Vacancies service helps schools reduce their spend on recruitment by offering free job adverts. Our school resource management advisors provide free expert tailored advice, identifying efficiencies and ensuring schools have robust financial strategic plans and practices. We also have a number of tools to drive down non-staff spend, this includes our risk protection arrangement service, an alternative to commercial insurance, as well as our new Get Help Buying for Schools service, which provides end-to-end procurement support for schools.

31 https://www.gov.uk/government/publications/academies-regulatory-and-commissioning-review
32 https://www.gov.uk/government/publications/education-investment-area-eia-trust-development-statements-tds

PO3: Support the most disadvantaged and vulnerable children and young people through high-quality local services so that no one is left behind

We are committed to ensuring that vulnerable and disadvantaged children get the support they need and that we continue to increase system capacity and capability. In 2022-23 we have continued work started in 2021-22 to recover after the end of COVID-19 restrictions, with significant focus on reforming services and systems for children, young people and families. These reforms intend to improve outcomes, capacity, and effectiveness of services, ensure best use of available funding, and set out clearer frameworks for practice in local children's services and education settings.

The Competition and Markets Authority published its final report into its market study into children's social care provision in March 2022 and in May 2022 we published the National Child Safeguarding Practice Review into the murders of Arthur Labinjo-Hughes and Star Hobson as well as the Independent Review of Children's Social Care. We published our response to these reviews in February 2023 in our implementation strategy 'Stable Homes, Built on Love', including a consultation on a new national framework for CSC. The strategy sets out how we intend to reform services for vulnerable children and their families.

We have also focused on reforming SEND and AP in our response to the SEND and AP Green Paper, publishing the SEND and AP Improvement Plan in March 2023. As well as action to improve outcomes and experiences for children, young people and their families, there are also actions to support and stabilise the system and address the immediate issues that exist, especially in the challenging economic climate we currently face, and provide financial sustainability for the future.

There are still challenges as a legacy of restrictions during the COVID-19 pandemic as well as broader economic and societal pressures, and attendance for vulnerable children and young people has not yet returned to pre-pandemic levels. We are however working to improve attendance through a comprehensive strategy which includes clear expectations of schools, academy trusts and LAs as well as initiatives that include updated guidance and a pilot for attendance mentors.

Absence, persistent absence and absence for FSM and EHCP

Academic year	Overall absence rate	Overall persistent absence rate	Absence rate for FSM pupils	Absence rate for EHCP pupils
2021/22	7.6%	22.5%	10.8%	12.1%
2020/21	4.6%	12.1%	7.8%	13.1%
2019/20*	N/A	N/A	N/A	N/A
2018/19	4.7%	10.9%	7.5%	8.7%
2017/18	4.8%	11.2%	7.6%	8.7%
2016/17	4.7%	10.8%	7.3%	8.2%
2015/16	4.6%	10.5%	7.0%	7.7%
2014/15	4.6%	11.0%	7.0%	7.7%
2013/14	4.5%	10.7%	6.7%	7.5%
2012/13	5.3%	13.6%	7.6%	8.2%
2011/12	5.1%	13.5%	N/A	N/A
2010/11	5.8%	16.3%	N/A	N/A

Absence: refers to children who are absent for authorised and unauthorised reasons, this includes children who are absent with a positive COVID-19 case – but does not include children who are isolating but have not had a confirmed positive case, for example as a contact.

Persistent absence: pupils are identified as a persistent absentee if they miss 10% or more of their possible sessions. This includes absence with a positive COVID-19 case. 10% of sessions translates to around 19 days of absence across the school year.

Absence rates have been higher than previously throughout AY2021/22. The overall absence rate across AY2021/22 was 7.6%. Illness was the major driver of overall absence, at 4.4% across the academic year. The persistent absence rate, the percentage of pupils who missed 10% or more sessions, was 22.5% across AY2021/22.

This is an increase from around 10-12% in previous years, including pre-pandemic. The Spring term AY2020/21 was affected by a period of national restrictions where attendance was prioritised for vulnerable and key worker children during which all other pupils would be recorded as not attending due to COVID-19 circumstances. As such, caution should be taken with comparisons across years. No data is available for AY2019/20.

Until the pandemic, overall absence and persistent absence had fallen and levelled off since AY2010/11 but COVID-19 was a shock to the education system causing absence to increase.

Actions to improve rates of attendance include:

- clear new expectations on schools, academy trusts and LAs through our new guidance, with an expanded team of attendance advisers to support implementation
- a better flow of pupil-level attendance data – to help schools and LAs identify those in need of support earlier
- an attendance action alliance of system leaders working to remove barriers to attendance
- a mentor programme pilot in Middlesbrough aimed at providing direct support to those struggling to attend school
- a wider programme of support to the most vulnerable children

Absence rates of pupils eligible for FSM or with an EHCP have consistently been higher than their all-pupils comparison.

Looking at non-attendance rather than absence for all pupils, both the overall non-attendance rate (25.9% in AY2020/21 to 8.5% in AY2021/22) and persistent non-attendance rate (44.6% in Autumn 2020 to 32.2% in Autumn 2021) fell between AY2020/21 and AY2021/22.

Absence for 'children in need'

Financial year	Absence rate
2021-22	15.2%
2020-21	13.3%
2019-20*	N/A
2018-19	10.7%
2017-18	10.4%
2016-17	9.8%
2015-16	9.8%
2014-15	9.6%
2013-14	9.4%
2012-13	10.4%

*COVID-19 interrupted reporting on absences in 2019-20.

The absence rate of children in need has consistently been higher than the all-pupil comparison.

Actions to improve attendance are focused on enhanced school and LA responses to keeping children in schools, alongside intensive support to the most vulnerable through the Supporting Families and Virtual Schools Head extension programmes and those at risk in serious violence hotspots with our Support, Attend, Fulfil, Exceed (SAFE) and AP Taskforces; and wider measures like Breakfast Clubs and the Holiday and Activities Food programme to particularly support disadvantaged children's attendance.

Absence of children in need increased between AY2020/21 and AY2021/22, as did the absence rate of the whole cohort of pupils (from 4.6% to 7.6%). This is because of the use of the reporting code for some school non-attendance related to COVID potentially masked some absence in AY2020/21 relative to AY2021/22, as described previously.

Before the pandemic, absence of children in need had fallen between AY2012/13 and AY2013/14 before slowly rising to AY2018/19.

PO3-OS1 – Programmes to ensure safe and loving homes to improve the experiences of children and their families

2022 saw the publication of three independent reviews of children's social care (including safeguarding) which collectively provide a platform for whole system reform. Subsequently, the government's response to these reviews, called Stable Homes Built on Love was published in February. This strategy sets out a vision to rebalance children's social care away from costly crisis intervention to more meaningful and effective early support and will be underpinned by an additional £200 million package of funding from within the Department's programme budgets.

Throughout 2022-23 we also continued to tackle key priorities across the CSC and SEND systems. This includes significant milestones such as laying regulations to introduce Ofsted registration and inspection requirements for supported accommodation providers that accommodate 16- and 17-year-old looked after children and care leavers.

The Adoption Support Fund continued to provide therapeutic support to adopted children, with over £53 million allocated to support over 19,000 children.

The children's home building programme launched a total of 69 projects (47 of which launched in 2022-23) providing approximately 350 additional LA children's homes places. We have committed further funding for secure children's home projects and the three new builds which began last year have all found sites and are moving forward into design and planning.

We provided £33 million to LAs to support young people to remain with their former foster carers in a Staying Put arrangement.

We provided £27.3 million to support over 63,000 families raising children and young people with disabilities or serious illnesses.

PO3-OS2 – Programmes to promote engagement and participation in education and training through helping to address the barriers facing vulnerable and disadvantaged children and young people

KPI: None specified in outcome delivery plan

We have arranged an attendance action alliance of system leaders to work to remove barriers to attendance through pledges. The group meet regularly with Ministers and has new targeted pledges of actions focused on reducing absence, and especially improving attendance of vulnerable pupils.

We are developing a 'what works' evidence base to support vulnerable children at risk of falling into persistent absence through an attendance mentoring pilot. The programme will support 1,665 pupils over three years. Attendance mentors provide intensive support for individual pupils, with poor attendance, and their families to help them go to school more regularly.

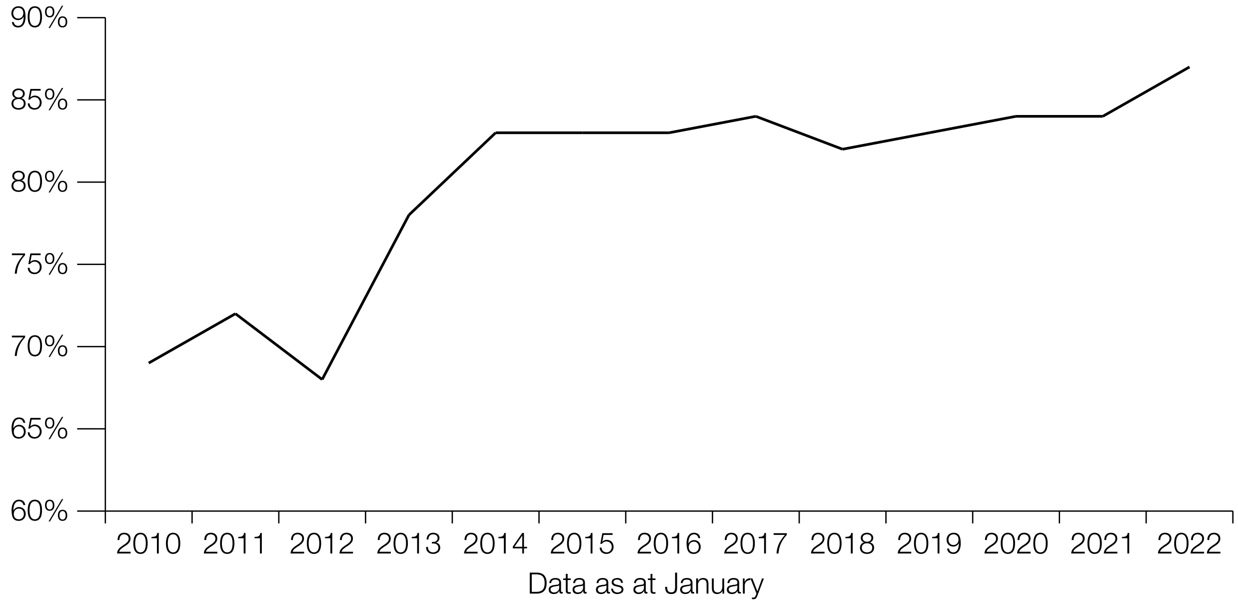
We provided £16.5 million to LAs to give every child with a social worker a champion to support their education through the Virtual School Heads programme. We also provided £5 million to improve education outcomes for children in care and care leavers in 16-19 education.

Over 2,500 children have been supported so far in the AP Specialist Taskforces programme, and the programme has been extended until March 2025 as a key strand enabling AP reform. For mainstream pupils, school-led SAFE (Support, Attend, Fulfil, Exceed) taskforces have been established in ten areas in England as part of a three-year programme and are investing in evidence-based interventions (such as mentoring, social skills training and therapeutic support) which provide early help to get young people back on track with their education and protect them from the harms of serious violence.

There are currently 1.9 million pupils eligible for and claiming benefits-related free school meals. A further 1.25 million children in reception, Year 1 and Year 2 have free meals through the Universal Infant Free School Meal programme. Together, that amounts to more than one-third of all children receiving a free lunchtime meal. Free meals are also available to disadvantaged young people in further education.

PO3-OS3 – Programmes to drive improvement in efficiency and effectiveness of local public services

Percentage of alternative provision schools rated good or outstanding by Ofsted

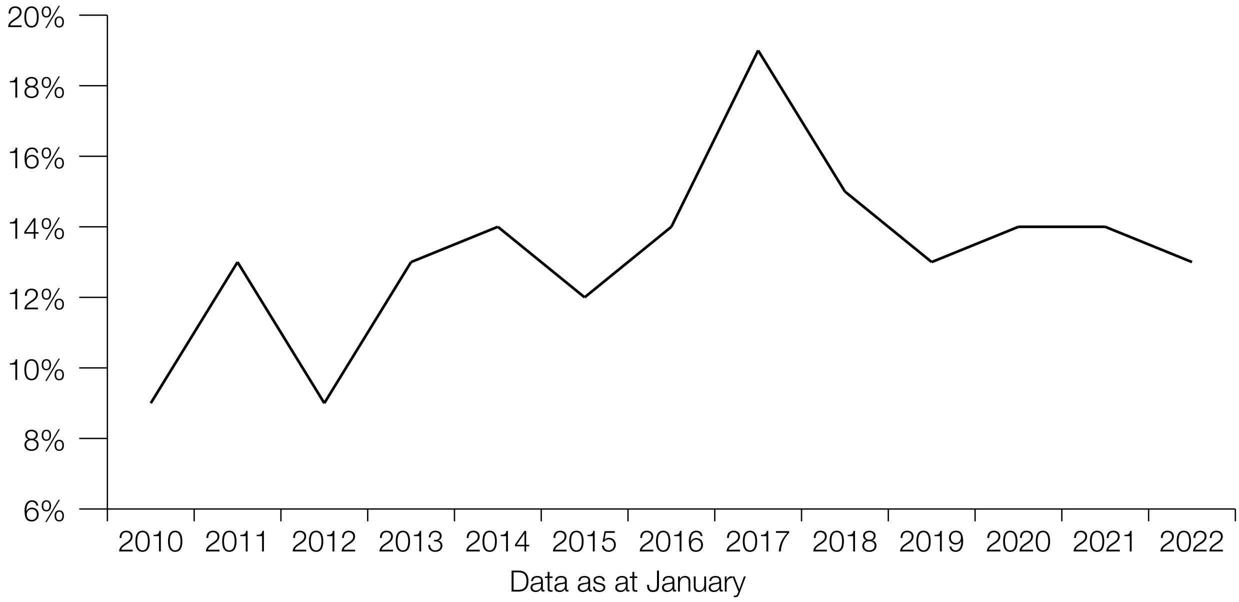


On 2 March 2023, the Department published the SEND and AP Improvement Plan which sets out a new national vision for the AP system, in response to the SEND and AP Green Paper consultation, where it is used as intervention, not a destination.

These plans build on the inclusion of LA commissioning of AP into the new local area SEND Ofsted and Care Quality Commission inspection framework which launched in January 2023. Over the last year, the Department has also taken steps to strengthen protections for children and young people in non-school based AP settings, so that every placement is safe and has clear oversight. To find the right solution, we launched a call for evidence on the use of unregistered alternative provision, which closed on 30 September 2022. We are now testing more detailed options with sector leaders and other interest groups.

In addition, the government continues to invest in the new AP free schools, through which fifty alternative provision free schools have opened across the country since 2010. On 10 June 2022, we launched our new AP free school application wave and we expect to announce the new free schools later this year.

Percentage of LAs rated inadequate for children's social care services



In 2017, the Department set a target to reduce the number of LAs rated Inadequate on CSC to 10% or fewer by December 2022. Over the past 6 years, we have worked with LAs through our Improvement and Interventions programme to deliver a total of 59 interventions. This has included setting up 8 new children's services trusts to drive improvement in those areas with the most serious failures. Through these interventions, we have met our target of 10% or fewer Inadequate LAs and helped them to halve the number of Inadequate services from 30 in April 2017 to 13 by March 2023. There are now 65% fewer children (approximately 1.7 million) aged 0-17 living in Inadequate LAs than in 2017. The number of Good and Outstanding LAs has also risen from 54 to 90, which means that 60% more children are now living in Good or Outstanding LAs. The Department is committed to maintaining the target of 10% or fewer LAs rated Inadequate over the next year. We continue to intervene decisively in all Inadequate LAs and work closely with them to broker support where there is risk of failure.

We have continued to support the social work workforce, investing £55 million in programmes to recruit, develop and retain social workers, including our fast-track initial education programmes and the new social work leadership pathways programme.

Percentage of LAs with a written statement of actions (or equivalent) for SEND services issued by Ofsted

Date	Percentage of LAs	Number of areas inspected (since May 2016)
December 2022	55%	152
December 2021	55%	132
March 2020	51%	116
August 2019	50%	100
July 2019	44%	68

Percentage of LA SEND services with a written statement of actions (or equivalent) that are revisited and have made significant progress (or equivalent judgement)

Date	Revisited areas that were deemed to be making sufficient progress when revisited	Number of areas revisited (since December 2018)
December 2022	39%	54
December 2021	39%	33
March 2020	43%	21
August 2019	55%	11

We continued improvement and intervention programmes to support LAs to improve their services for children. This includes support for sector led work to enable them to support each other to improve.

In AY2022/23 we formally intervened in 56% (83) of all LAs (152) to support improvements to their SEND services.

As of 6 April 2023, 33% (50) of LAs were in active intervention with the Department, 16% (24) of LAs had an active accelerated progress plan and 17% (26) of LAs had an active written statement of action.

A new local area SEND Ofsted and Care Quality Commission inspection framework launched in January 2023. Eight full inspections have now taken place and formal outcome reports are due to be published shortly. Inspection outcomes will provide an indication of quality of services in local areas and inform the Department's improvement and intervention going forward.

In March 2023, we published the SEND and AP Improvement Plan setting out government's response to the SEND and AP Green Paper consultation, and our next steps on delivering systemic reform for the SEND and AP system.

PO4: Provide the best start in life through high-quality early education and childcare to raise standards and help parents to work

A child's early years are a crucial time for their development, and families across the country rely on locally available childcare to help them balance their home and work commitments. We want high-quality early education and childcare provision everywhere – to help reduce the outcomes gap for disadvantaged children, helping prepare children for school and supporting parents in or into employment.

This is why the Chancellor announced transformative reforms to childcare for parents, children, the economy and women in the government's Spring Budget. From April 2024, working parents of 2-year-olds will be able to access 15 hours of free childcare per week (38 weeks a year), from September 2024 this will be extended to parents of nine month to 3-year-olds, and from September 2025 working parents of nine month to 3-year-olds will be able to access 30-free hours per week (38 weeks a year).

Throughout 2022-23, we have continued to support delivery of high-quality early years provision that raises outcomes for young children, maximising take up of the early education entitlements and minimising any barriers to access to support for the most disadvantaged children, setting up every child for future life success.

We have made significant progress to deliver the Family Hub and Start for Life programme jointly with Department for Health and Social Care, working with local government and local and voluntary sector organisations to meet the needs of the local areas rolling out the first set of Family Hubs.

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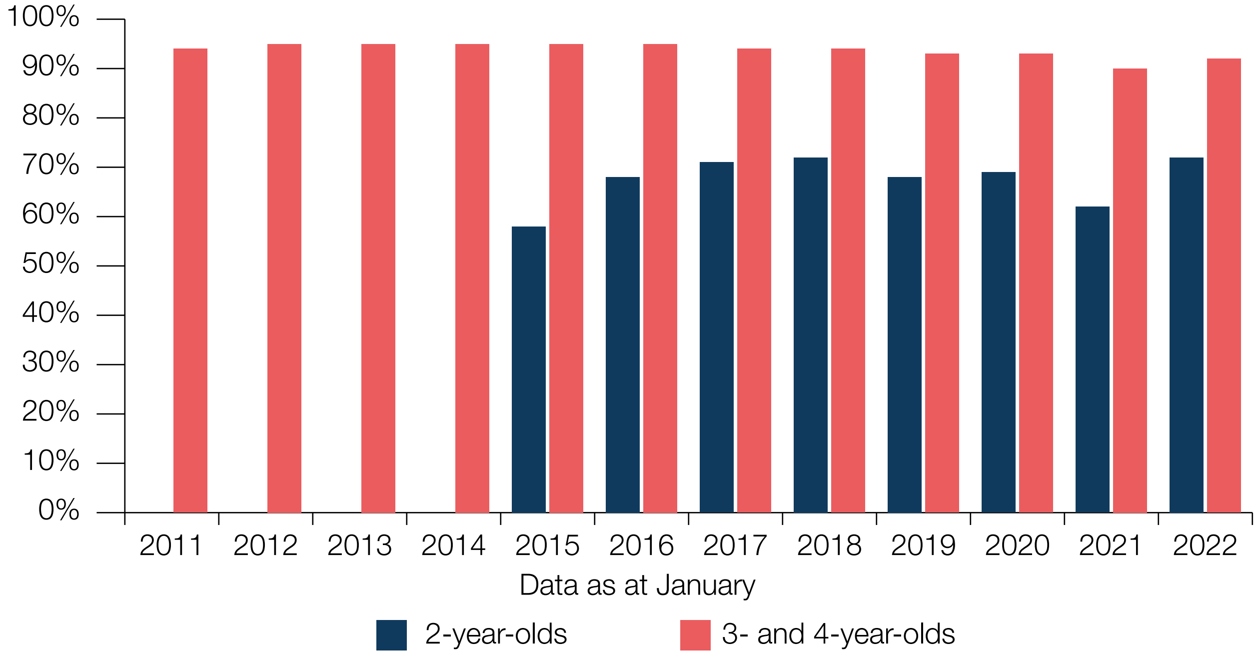
[redacted]

PO4-OS1 – Maintaining sufficient local supply on the childcare market and maximising the take up of the early education entitlement

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



Estimated take up of the 2-year-old entitlement targeted at disadvantaged households increased from 69% in January 2020 to 72% in January 2022. The percentage of 3- and 4-year-olds registered for the 15-hour early education entitlement decreased from 93% in 2020 to 92% in 2022. These figures should be considered alongside sizeable declines in the eligible populations.

In addition to the universal 15-hour entitlement, 3- and 4-year-olds from eligible working families are entitled to extended hours and can receive 30 hours of free childcare a week. This is a positive choice for children and families; the increase in free childcare provision supports parents, including mothers, in making choices about going back to work and/or increasing their hours at work, and there are potential positive impacts on family relationships and functioning via the improvements in children's outcomes. The number of 3- and 4-year-olds registered for the 30-hour entitlement is up 1% since 2020 at 348,100, the highest number on record. We extended eligibility for the 15-hour 2-year-old early education entitlement to disadvantaged children in no recourse to public funds households in September 2022. This means that more disadvantaged children have access to early education regardless of their parents' immigration status.

PO4-OS2 – Set up every child for success by ensuring high-quality, safe education and childcare throughout the COVID-19 pandemic and beyond for all children

Percentage of registered early years settings rated as good or outstanding by Ofsted

Date	Registered early years settings rated as good or outstanding by Ofsted
August 2022	96%
August 2021	97%
August 2020	96%
August 2019	96%
August 2018	95%
August 2017	93%
August 2016	91%
August 2015	85%

We provided ongoing support to embed the changed Early Years Foundation Stage framework for learning, development, assessment and oral health requirements and strengthen practice, including through the online service Help for Early Years Providers and via the Early Years Education Recovery programme. In summer 2022 we consulted on strengthening the requirement on supervision while children are eating in settings to help keep children safe.

The Early Years Education Recovery programme is in full delivery phase, providing evidence-based training opportunities to develop a skilled workforce, ensuring children receive high-quality early education and care. Successes across the programme in 2022-23 include delivering communication and language, early mathematics and personal, social and emotional development training to 1,300 early years professionals in 51 LAs through our professional development programme and 90,000 children supported through the Nuffield Early Language Intervention improving their language skills.

The 75 LAs eligible for the Family Hubs – Start for Life programme were announced in April 2022 and LAs commenced delivery in 2022-23. We also announced the 12 LAs that were successful in their bid to the £12 million Family Hubs Transformation Fund. These LAs were formally enrolled onto the programme by October 2022 and have now begun their family hubs transformation journey.

The Family Hubs Growing Up Well project, focused on developing digital and data products to improve how professionals share information and connect families to local support and services, is currently in the private beta phase with wider public roll out in 2023-24.

Research has shown that the school holidays can be pressure points for some families. For some children that can lead to a holiday experience gap. The Holiday Activities and Food (HAF) programme is a response to this issue offering healthy food and enriching activities during Easter, summer and Christmas. The programme is now in its third year of its national roll out. The Department allocated funding of £207 million to all 152 LAs in 2022-23 and then allocated a further £6 million for Christmas 2022. LAs were paid 80% upfront and up to 20% following completion of the delivery period and receipt of final spend. To date, actual spend for HAF 2022-23 is £207 million. For 2023-24, we have allocated £205 million to 153 LAs to deliver HAF and £1.5 million to the support contractor.

Additional analysis of performance across business groups

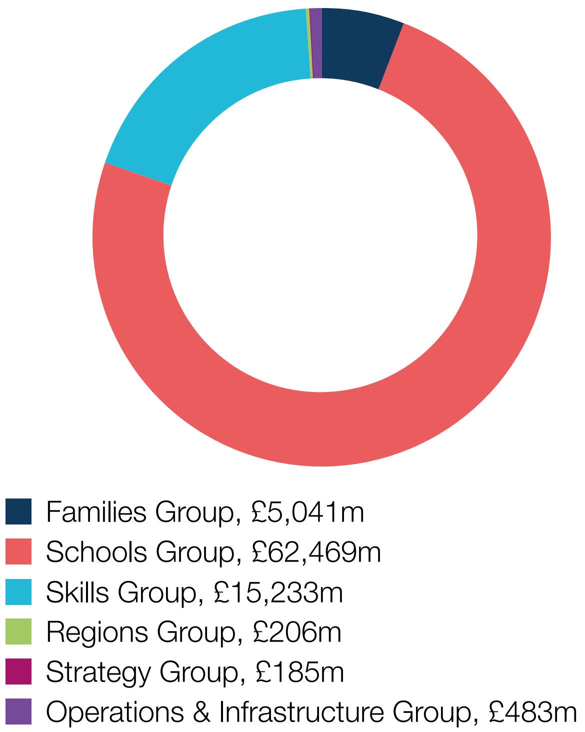
Outturn by business group and budget type

The figures across the next pages present the current and previous year's TME analysed across business groups and budget types for the Group as a whole and then for each business group.

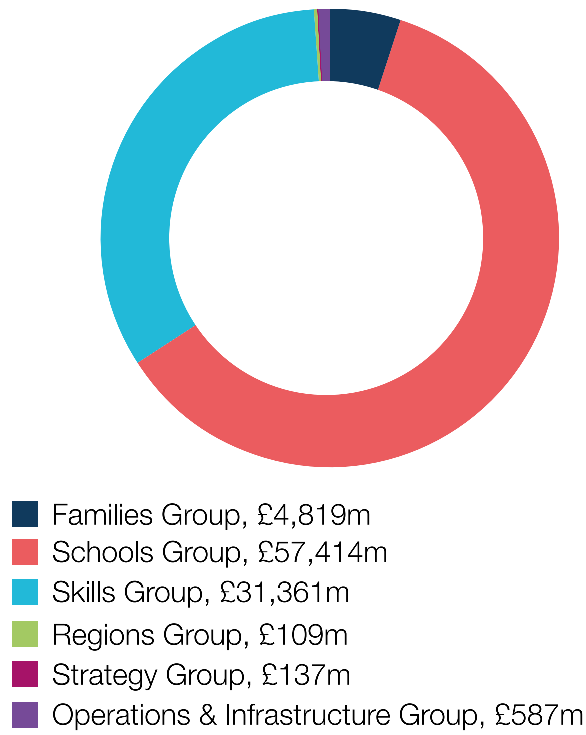
The prior year figures presented below have been restated to match the current business groups to improve comparability across both years presented. Prior year outturn per last year's business groups, as presented in last year's ARA, has been provided for reference at the end of this section.

The following pie charts present both positive and negative numbers with equal treatment since they are intended to show the relative size of the respective values not absolute values. The pie charts are produced applying the quantum of a value not the signage, which is why negative values such as RAME below (£14.3 billion gain/income), appear alongside positive values.

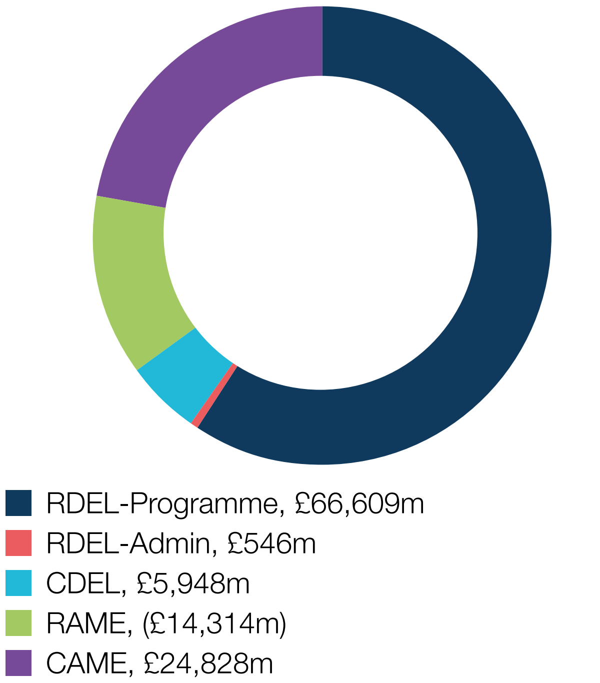
2022-23 £83,617 million TME analysed by business group



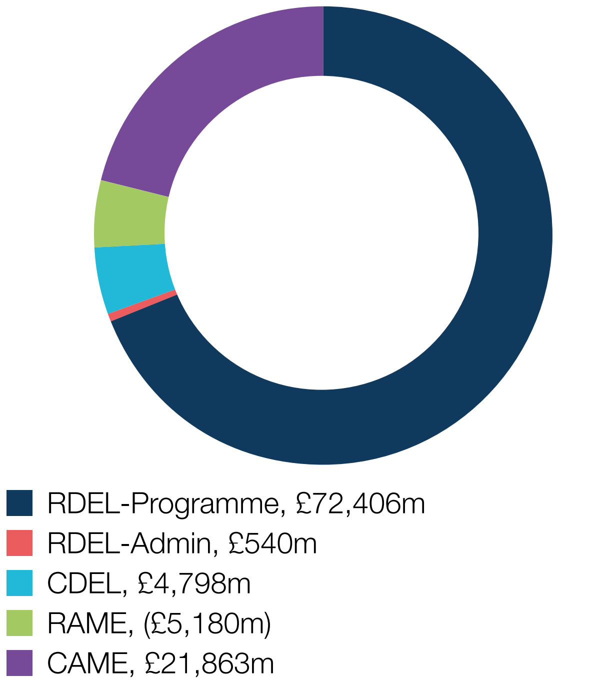
2021-22 £94,427 million TME analysed by business group



2022-23 £83,617 million TME analysed by budget type



2021-22 £94,427 million TME analysed by budget type

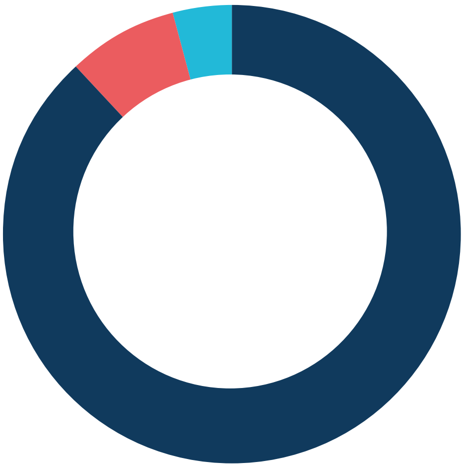


Families Group

Director General – **Indra Morris**

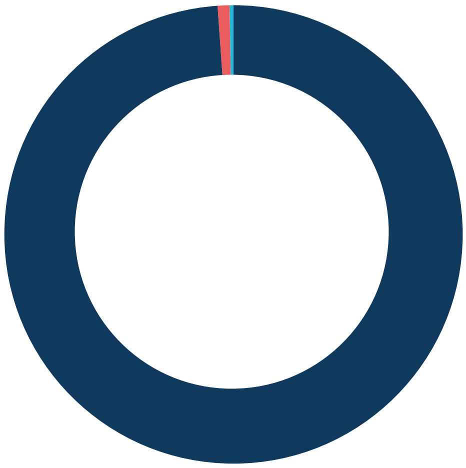
Analysis of Families Group outturn

2022-23 outturn – £5,041 million



- RDEL-Programme, £4,974m
- RDEL-Admin, £45m
- CDEL, £22m
- RAME, £–
- CAME, £–

2021-22 outturn – £4,819 million (restated)



- RDEL-Programme, £4,768m
- RDEL-Admin, £46m
- CDEL, £5m
- RAME, £–
- CAME, £–

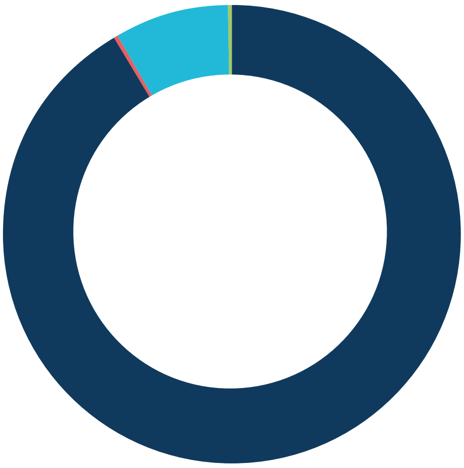
No significant assets or liabilities are managed by this business segment.

Schools Group

Joint interim Directors General – **Caroline Pusey** and **Heather McNaughton**

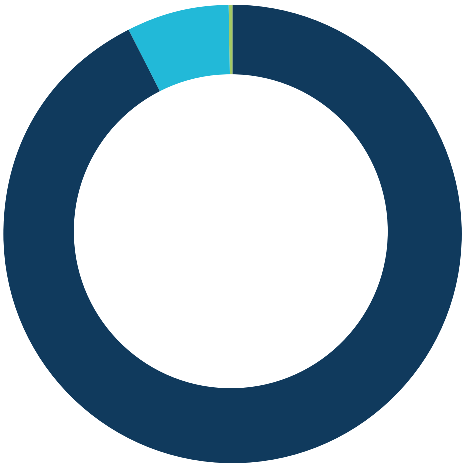
Analysis of Schools Group outturn

2022-23 outturn – £62,469 million



- RDEL-Programme, £57,214m
- RDEL-Admin, £58m
- CDEL, £5,139m
- RAME, £58m
- CAME, £–

2021-22 outturn – £57,414 million (restated)



- RDEL-Programme, £53,196m
- RDEL-Admin, £62m
- CDEL, £4,147m
- RAME, £9m
- CAME, £–

In addition to the outturn presented above, Schools Group is also responsible for the following significant assets and liabilities:

SoFP caption	Specific item	2022-23	2021-22
		£m	£m
Property, plant and equipment	Free school assets under construction (AuC)	–	273
Education sector assets	Assets	611	–
Other loans	PF2 loans	493	–
Other loans	Academy trust loans	125	134
Payables	PFI imputed lease liabilities	(583)	(598)
Payables	PFI loan	(502)	–
Provisions	Early departure provisions	(108)	(114)

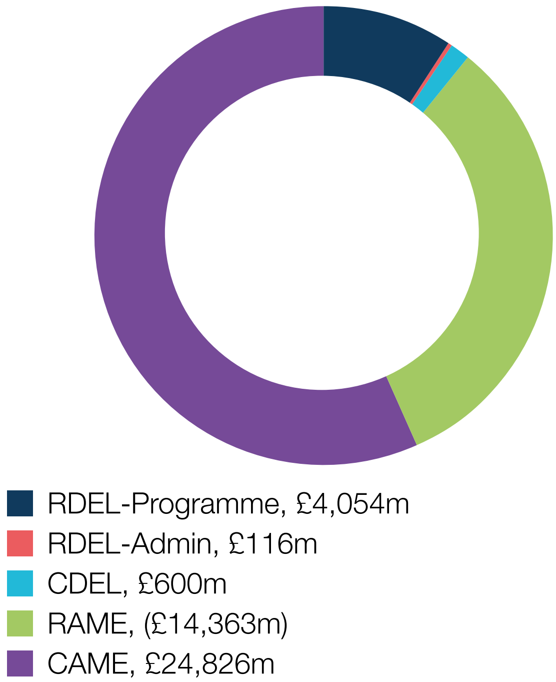
PF2 loan assets and PFI loan liabilities were reported as part of Operations Group (now OIG) in 2021-22, and they moved across as part of the internal re-organisation.

Skills Group

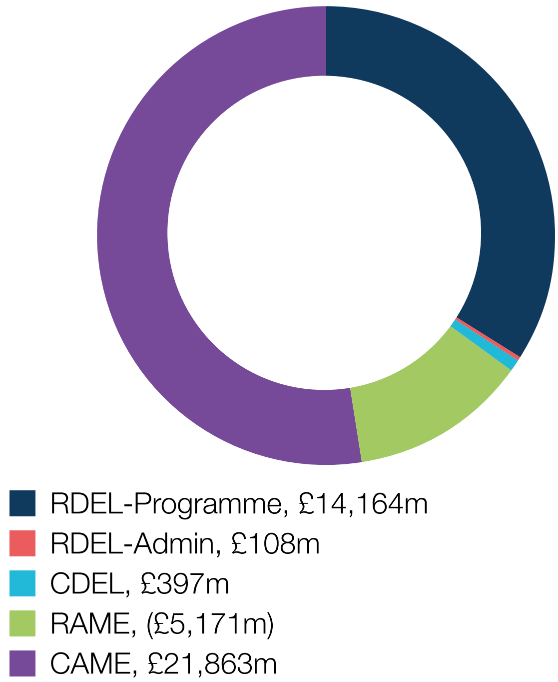
Director General – **Julia Kinniburgh**

Analysis of Skills Group outturn

2022-23 outturn – £15,233 million

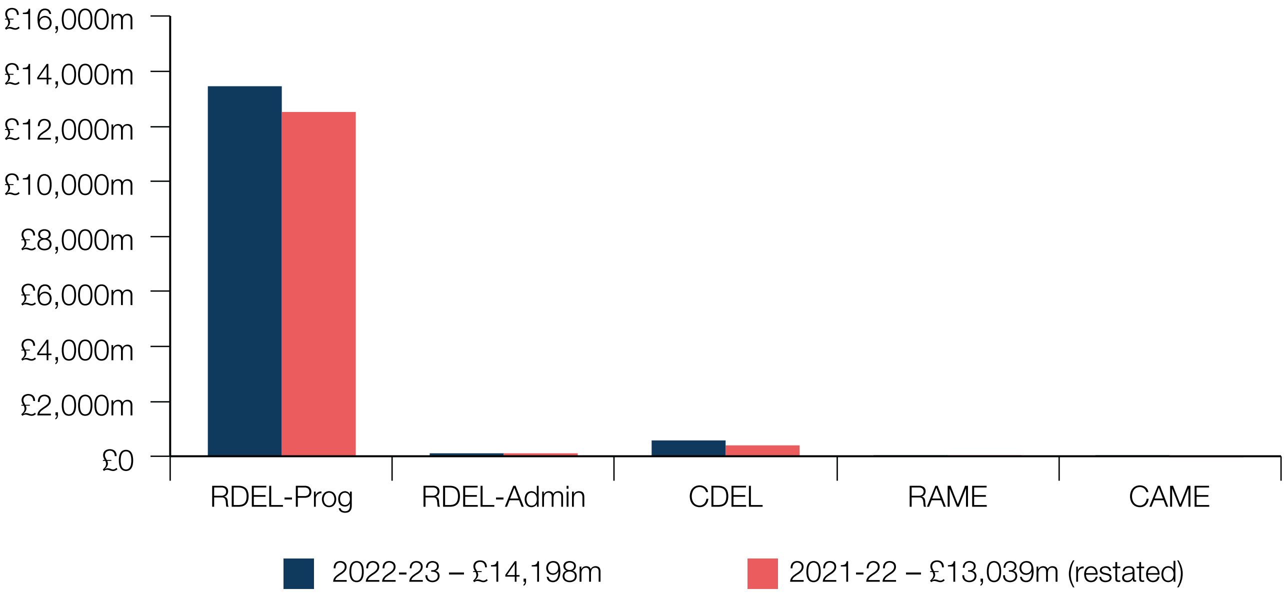


2021-22 outturn – £31,361 million (restated)

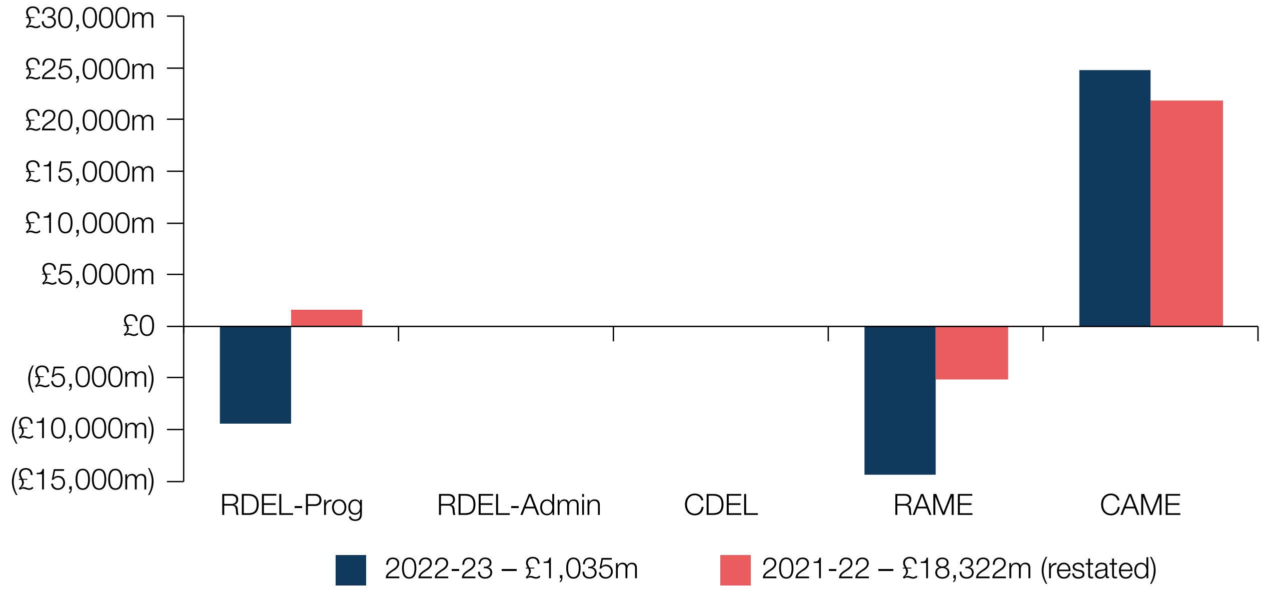


Skills Group outturn includes the performance of student loans which can show high levels of variability across years through the action of the fair value calculation. The fall in outturn of £16.2 billion between this year and last year masks an increase in non-student loan activity spending. Below we present two charts which compare Skills Group's outturn for the last two years analysed between non-student loan activities and student loans across budget types.

Non-student loan activities



Student loan activities



Student loan impacts on outturn are discussed in the Financial Review from page 41.

In addition to the outturn presented above, Skills Group is also responsible for the following significant assets and liabilities:

SoFP caption	**Specific item**	**2022-23**	**2021-22**
		£m	**£m**
Student loans	Student loan book	137,804	97,942
Receivables	Student loan receivables	537	314
Provisions	Inherited staff liabilities	(110)	(130)
Financial guarantees	Student debt sale subsidy financial guarantee	(65)	(83)

Regions Group

Director General – **John Edwards**

Analysis of Regions Group outturn

2022-23 outturn – £206 million

- RDEL-Programme, £145m
- RDEL-Admin, £17m
- CDEL, £44m
- RAME, £-
- CAME, £-

2021-22 outturn – £109 million (restated)

- RDEL-Programme, £44m
- RDEL-Admin, £7m
- CDEL, £58m
- RAME, £-
- CAME, £-

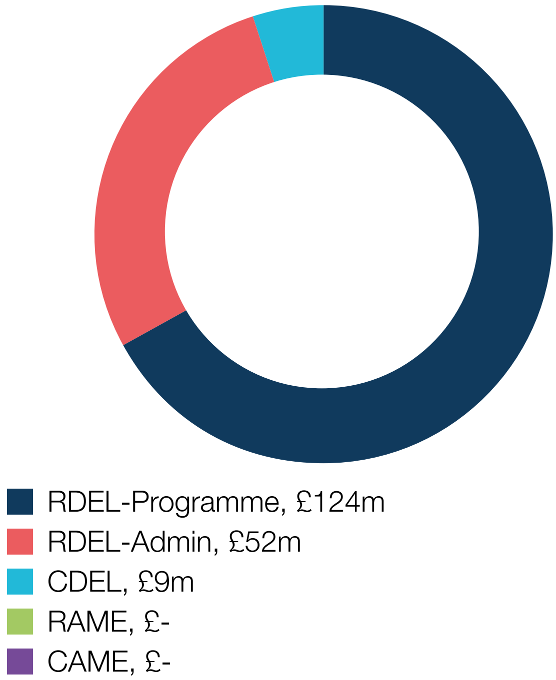
No significant assets or liabilities are managed by this business segment.

Strategy Group

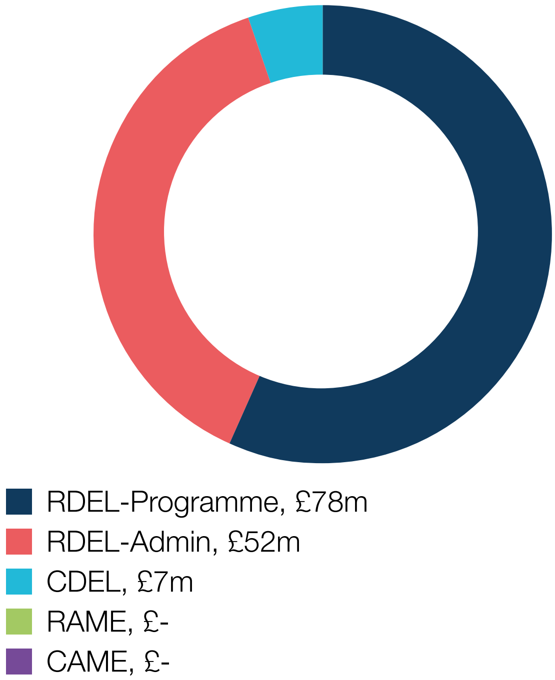
Director General – **Tony Foot**

Analysis of Strategy Group outturn

2022-23 outturn – £185 million



2021-22 outturn – £137 million (restated)



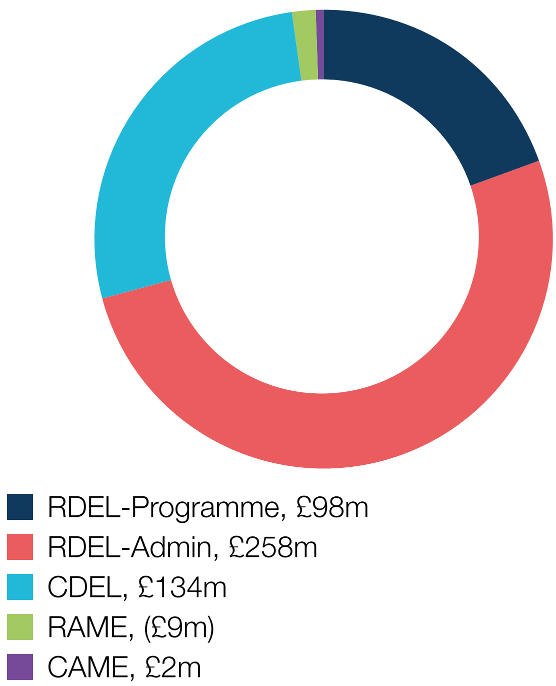
No significant assets or liabilities are managed by this business segment.

Operations & Infrastructure Group (OIG)

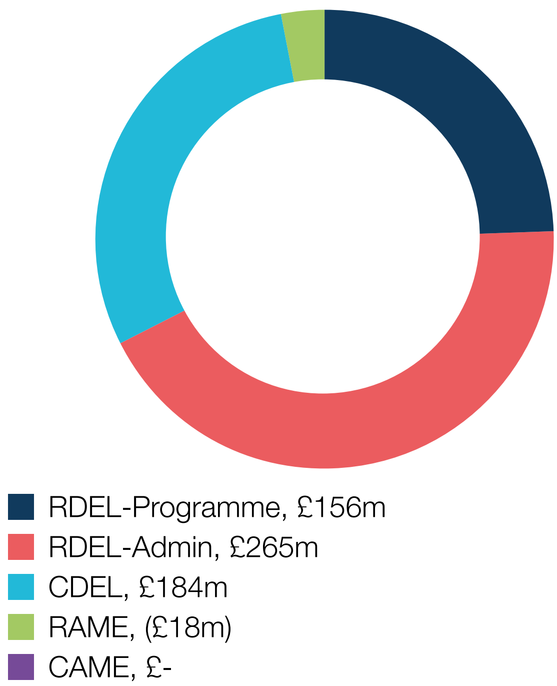
Director General – **Jane Cunliffe**

Analysis of OIG outturn

2022-23 outturn – £483 million



2021-22 outturn – £587 million (restated)



In addition to the outturn presented above, OIG is also responsible for the following significant assets and liabilities:

SoFP caption	Specific item	2022-23	2021-22
		£m	£m
Other loans	PFI loan assets	–	515
Payables	PFI loan liabilities	–	(524)

PFI loan assets and liabilities are now reported as part of Schools Group.

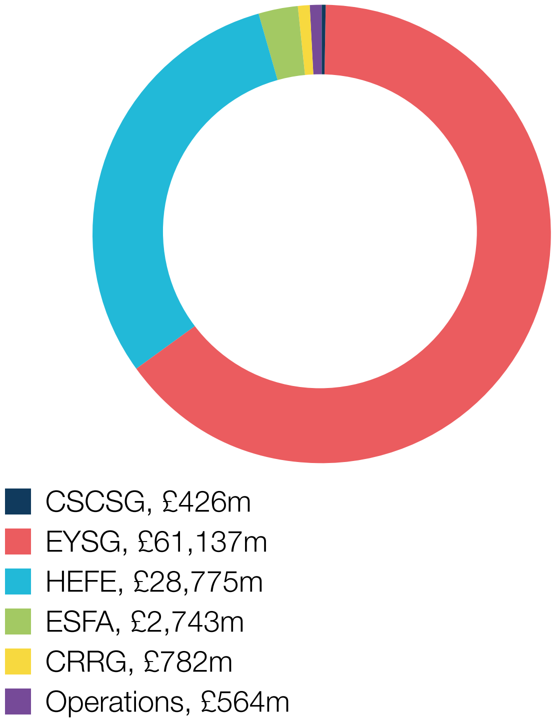
2021-22 outturn as presented last year

The business groups below are those applicable in 2021-22:

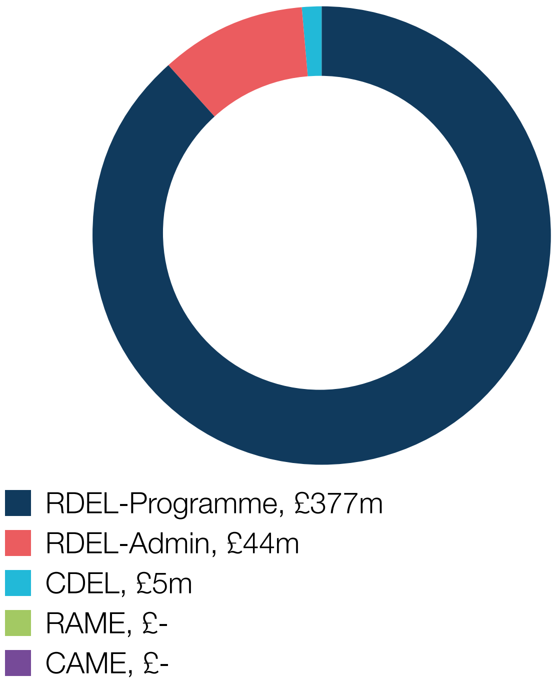
- CSCSG – Children's Services, Communications and Strategy Group
- EYSG – Early Years and Schools Group
- HEFE – Higher Education and Further Education
- ESFA – Education and Skills Funding Agency
- CRRG – COVID Response and Recovery Group
- Operations – Operations Group

The change in business groups between those above and those operational in the year is discussed further on page 37.

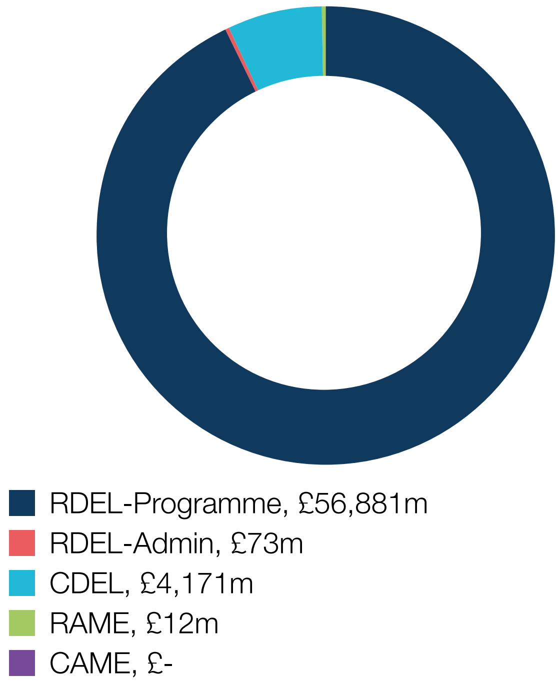
2021-22 £94,427 million TME analysed by business group, as reported last year



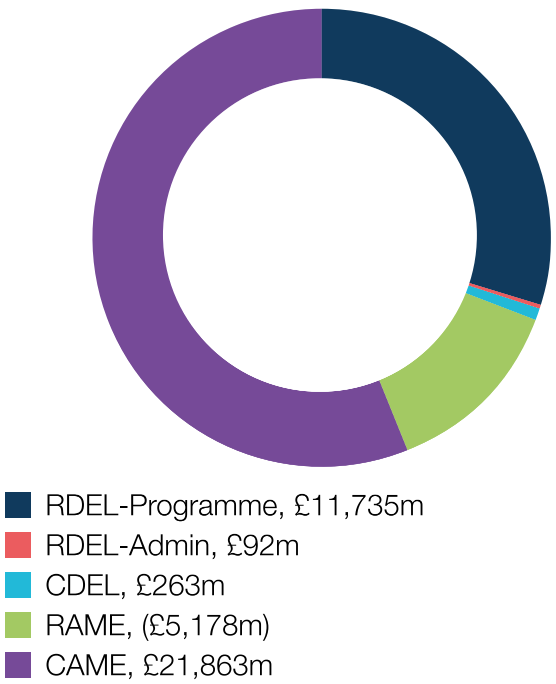
2021-22 CSCSG outturn – £426 million, as reported last year



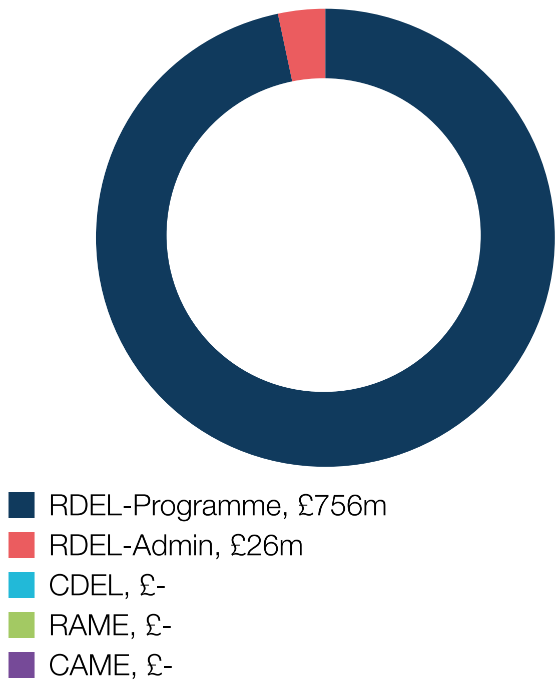
2021-22 EYSG outturn – £61,137 million, as reported last year



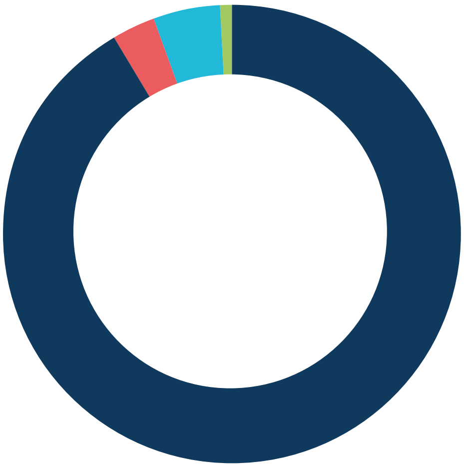
2021-22 HEFE outturn – £28,775 million, as reported last year



2021-22 CRRG outturn – £782 million, as reported last year

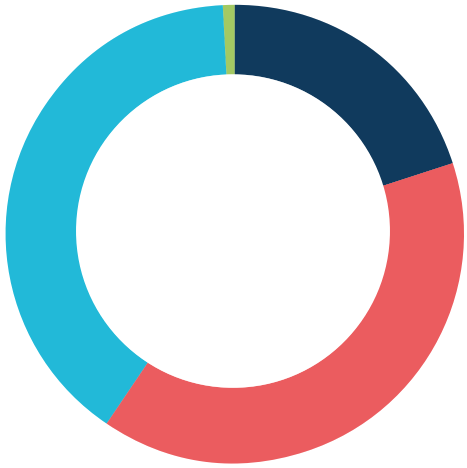


2021-22 ESFA outturn – £2,743 million, as reported last year



- RDEL-Programme, £2,544m
- RDEL-Admin, £82m
- CDEL, £134m
- RAME, (£17m)
- CAME, £-

2021-22 Operations Group outturn – £564 million, as reported last year



- RDEL-Programme, £113m
- RDEL-Admin, £223m
- CDEL, £224m
- RAME, £4m
- CAME, £-

Strategic enablers

Workforce, skills and location

The Department's vision is to create a workforce with world class skills and capabilities, which is flexible and makes the best use of excellent talent by supporting increased diversity and social mobility as well as ensuring colleagues have well-defined development plans and career paths. HR supports delivery of the Department's priority outcomes, ensuring our people have the knowledge and skills required to perform to a high standard.

During 2022-23, we continued with our established approaches to talent and performance management but with concentrated activity in some areas. This included a Better ABLE campaign where we enhanced the focus on objective setting and the effectiveness of monthly performance conversations with an increased suite of learning products. Our Senior Civil Service (SCS) approach to performance management and reward enables regular constructive career and talent discussions for SCS. Ongoing work to identify critical roles and implement talent reviews and succession processes is enabling effective management of talent pipelines in a consistent rhythm across the organisation.

Work in 2022-23 has continued to enhance the Department's learning programme through the development of high-quality interventions targeting the workforce skills and capabilities we require for the future. The DfE curriculum sets out the knowledge, skills and behaviours required for our staff members, supported by a new target operating model for learning and development that identifies priorities against current and future capability requirements. Developing skills we need for the future enables us to invest in the development of our own staff, retaining talent and reducing our reliance on contractors and contingent labour.

We continue to consider the use of contingent workers in the core Department. We have introduced a tool to improve our management of contingent labour by collating recruitment requests and approvals in one place and supporting hiring managers to test if the route being chosen offers value for money.

The Department continues to find a balance between retaining skilled and experienced staff (and providing career pathways for these staff) in London alongside growing opportunities for colleagues in non-London offices. This model supports collaboration with local and regional stakeholders in the delivery of education and social care policy and services across England.

In the last year we have introduced changes to our recruitment processes, enabling the Department to be more flexible to mobilise resources in response to emerging priorities and make better use of talent. Changes to our internal recruitment model enhance our ability to resource to roles internally, allowing us to monitor diversity data of selection decisions and give greater transparency of opportunities to staff across the Department. The Leadership Team and internal senior leadership teams have held focused discussions concentrating on and enabling action to target individual development needs to support developing diverse pipelines for SCS to remove barriers to promotion of a diverse workforce.

Innovation, technology and data

The Department has digital, data and technology (DDaT) specialists who focus on user-centred design, delivery, data and technology. These specialists partner with teams across the Group to deliver world-class services that improve the outcomes of children and learners in education and care. There is common consensus on the necessity of placing digital, data and technology at the heart of how the Group operates.

During 2022-23, we have been working towards improving Departmental systems for internal and external users. To address the need for modern data and systems infrastructure, we have published data modelling standards, bringing consistency and standardisation to data modelling across the Department. Additionally, we have moved into the continual improvement phase for architecture common components with ongoing effort to improve our hosting offer, products, services and processes, including moving our services away from our legacy cloud platforms on to the cloud infrastructure platform. Discovery work to migrate to this central strategic platform has begun.

To manage Departmental and sector based cyber threats, a cyber security strategy is in development. Once published the strategy will enable plans for delivery to be clarified and determine what the appropriate metrics are.

To enable effective data exchanges across stakeholder groups, technical products have been developed bringing timely data on children's social care, providing greater analysis and improving data flows between the Department and LAs.

To further provide access to data and improve decision making, we are piloting access to Longitudinal Education Outcomes data to external researchers and working with Administrative Data Research Network UK to streamline access to departmental administrative data to accredited researchers, supporting policy relevant research. To do this, the Department will share information and engage with research bodies and academia around data opportunities and policy needs.

We have commenced and are on track with delivery against our commitments within the Schools White Paper, supporting the sector make the best use of technology, including:

- enabling all schools to have access to high-speed connection by 2025
- upgrading school connectivity in priority areas through the connect the classroom programme
- published technology standards for connectivity, cyber security, cloud solutions and filtering and monitoring (latest standards published March 2023 Meeting digital and technology standards in schools and colleges[33])
- developing and piloting digital services to support schools to meet standards

33 https://www.gov.uk/guidance/meeting-digital-and-technology-standards-in-schools-and-colleges

Sustainability

The Department continues to strengthen the Group's sustainability reporting with the expansion of disclosures. We continue to experience some challenges in collecting all of the required data from all of our NDPBs. The use of non-GPA landlords for some of our offices appears to be one factor. In addition, as well as internal policy and numerical disclosures, we have expended the policy statements to include our policy responsibilities across the education sectors.

The Group's sustainability reporting can be found in annex B.

PHOTO REDACTED DUE TO THIRD PARTY RIGHTS OR OTHER LEGAL ISSUES

Non-financial matters

Social matters

In June 2022, the Department launched a new Diversity and Inclusion Strategy 2022-26 and accompanying action plan that builds on the success of the 2018 DfE Diversity & Inclusion Strategy. The new strategy aligns to the 2022 Civil Service Diversity and Inclusion Strategy. The Department has numerous active diversity and inclusion employee networks, who play an important role helping the Department understand and shape its diversity and inclusion strategy and objectives. Employees are also encouraged to volunteer to support a range of social causes at local and national level.

Respect for human rights

The Department values human rights and equality and diversity are central components of its activities and societal objectives. This includes compliance with obligations established by the Equality Act 2010 in the context of employment, in which:

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

Modern slavery

The Department is building on measures to identify, mitigate and manage modern slavery risks in its supply chains and is improving performance year on year. In 2021-22, the Department achieved all seven goals set and achieved or exceeded nine associated KPIs covering a range of upskilling and procurement actions. These directly addressed modern slavery risks and included the introduction of a new goal to raise awareness across the education sector, in anticipation of the scope of Section 54 of the Modern Slavery Act 2015 being widened across the public sector. In 2022-23, the Department introduced more challenging targets and exceeded all nine KPIs.

The Department's Chief Commercial Officer is the Department's anti-slavery advocate, providing senior oversight on progress and collaboration across government to share best practice. The Department has continued to utilise Cabinet Office advice to develop tools and guidance to support commercial delivery staff to take a proportionate, risk-based approach throughout the end-to-end procurement process. Commercial staff directly involved in commercial activity continue to undertake annual external ethical training and modern slavery e-learning. The Department's Modern Slavery Statement will be published in line with the Home Office's requirements and will include details of the ambitious targets set for 2023-24.

Anti-corruption and anti-bribery matters

The Department is committed to upholding high standards of honesty and integrity in all its activities. We operate a zero-tolerance approach to bribery and corrupt activities and mandate employee training to highlight personal responsibilities to tackle bribery and corruption in accordance with the Bribery Act 2010.

The Department has a Standards of Behaviour Policy, which establishes clear expectations for employee conduct and behaviour, which covers bribery, fraud and theft.

We have adopted a Raising a Concern approach to dispute resolution which makes clear the processes that employees need to follow if they have an issue they want to be heard. This encourages employees to report any suspicions of wrongdoings in cases of bribery, fraud and theft in the knowledge that they will be fully investigated using this robust and transparent approach.

Support for whistleblowing has remained a high priority in the Department. 5 cases have been raised in the past 12 months (an increase from 4 last year), 1 of which is still being investigated. Annex A has more information on whistleblowing.

Intergovernmental relations and devolution

The Department continues to engage openly and constructively with the Devolved Administrations, with its ministers and officials and their counterparts discussing a wide range of issues across the Department's portfolio.

At Ministerial level the UK Education Ministers Council was established in January 2022 to implement an action under the Review of Intergovernmental Relations. The then Secretary of State for Education attended the second meeting of the council in June 2022, hosted by the Scottish Government in Edinburgh. Ministers discussed lifelong learning, focusing on green skills. The Secretary of State attended the third council meeting hosted by the Welsh Government in Cardiff in December 2022, discussing a range of issues including the rising cost of living, general and vocational qualifications and lifelong learning.

Further virtual and in-person meetings and visits took place at both Ministerial and official level over this period, including both Ministerial and senior officials' visits to education providers in Scotland.

Key risks and issues 2022-23

Our principal risks are those that, if materialised, would have significant impact on our departmental objectives. Each individual principal risk is owned at Director General level, managed on a day-to-day basis in the relevant director's area, and regularly reported (top tier report) through our corporate level committee structure. Further information on our risk management framework can be found in the Accountability Report on page 146.

The overall number of top tier risks was 24 as of 31 March 2022 and 18 on 31 March 2023.

Of those risks highlighted in last year's ARA, and not highlighted in this year's report:

- vulnerable children attendance & attainment risk has decreased to likely and is therefore no longer on the top tier risks but is being kept under close review
- loss of public confidence in the fairness of exams likelihood has improved from critical/ possible to critical/very unlikely

These continue to be discussed at both Performance and Risk Committee (PRC) and Leadership Team on a regular basis.

Six principal risks have been reported for 2022-23. Cyber security, school building safety, high needs and disparities in education recovery have remained stable. Industrial action and looked after children market failure are both newly escalated risks this year.

The table and content below report on the six principal risks that were reported for 2022-23. Risk ratings combine impact (critical and crisis) and probability of happening (likely, possible, etc). Education recovery is classified as an issue below since it was judged to have materialised in the year. The issue is still being managed though so still carries critical rating shown in the chart below.

Significant risks which have been managed during 2022-23 include the following:

No	Risk	March 2022 Rating	March 2023 Rating	Direction
1	Industrial action	Not a principal risk at year end Rating when escalated in November 2022: Crisis – Very likely	Crisis – Very likely	Worsening
2	Education recovery	Critical – Very likely	Issue	Stable
3	School buildings	Critical – Very likely	Critical – Very likely	Stable
4	Looked after children placement market failure	Not a principal risk at year end Rating when escalated in August 2022: Critical – Likely	Critical – Very likely	Worsening
5	High needs cost pressures	Critical – Likely	Critical – Likely	Stable
6	Cyber security	Critical – Likely	Critical – Likely	Stable

These risks are described in more detail below.

1. Risk name – Industrial action

Risk description

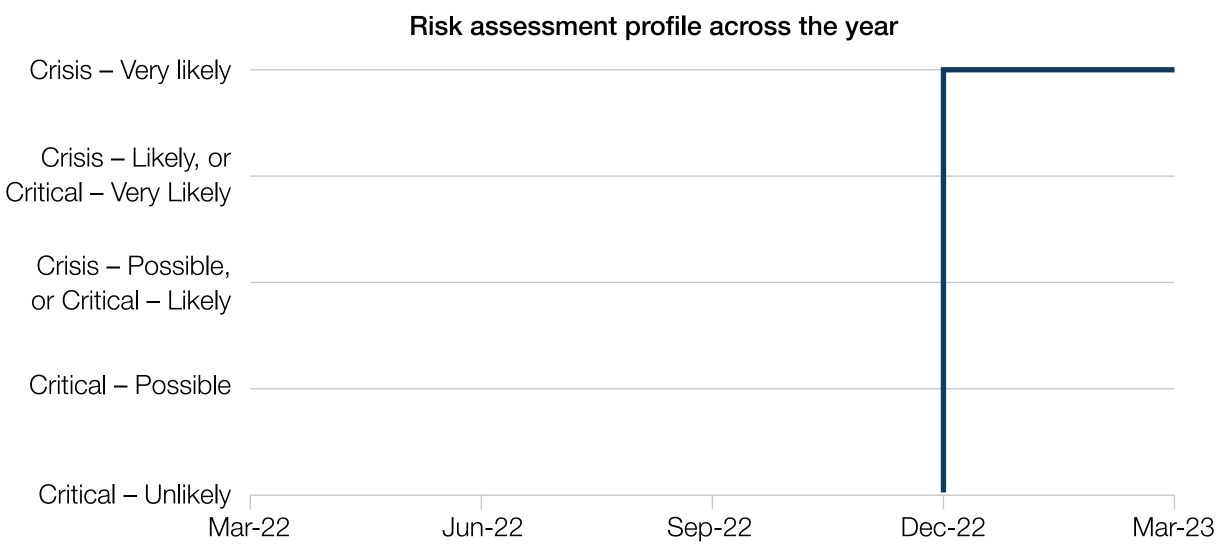
Industrial action taken by schools and college workforce leads to loss of learning. The risk was raised as a principal risk in November 2022, when unions were considering or actively balloting members across workforces in education, childcare and children's social care settings for strike action. The risk covers the four principal English teaching unions:

- National Education Union (NEU)
- National Association of Head Teachers (NAHT)
- Association of School and College Leaders (ASCL)
- NASUWT

This risk was escalated because:

- the NEU, the NAHT, the ASCL and NASUWT members all rejected the government's teachers' pay award offer in April 2023
- subsequently, the NEU announced further strike action on 27 April 2023, 2 May 2023, and on three further days in June/July 2023

Risk assessment profile across the year



The graph above covers the whole year, including the period from April 2022 to October 2023 before the risk was escalated to a principal risk.

In-year direction of assessment

Worsening for the year as a whole; stable from escalation to a principal risk in November 2022.

Business group

Strategy Group

Mitigating factors

Mitigating actions include:

- standing-up a robust data collection exercise alongside qualitative intelligence to understand the impacts on workforce and attendance during and in advance of the strikes
- ensuring remote education packages are available
- communications and engagement
- guidance issued to sectors ahead of planned strikes, setting out the responsibilities for school leads and rebutting any misleading information
- ahead of strike days, considering and communicating the mitigations that could maximise continuity of education and protect vulnerable groups as well as children with exams in the foreseeable future

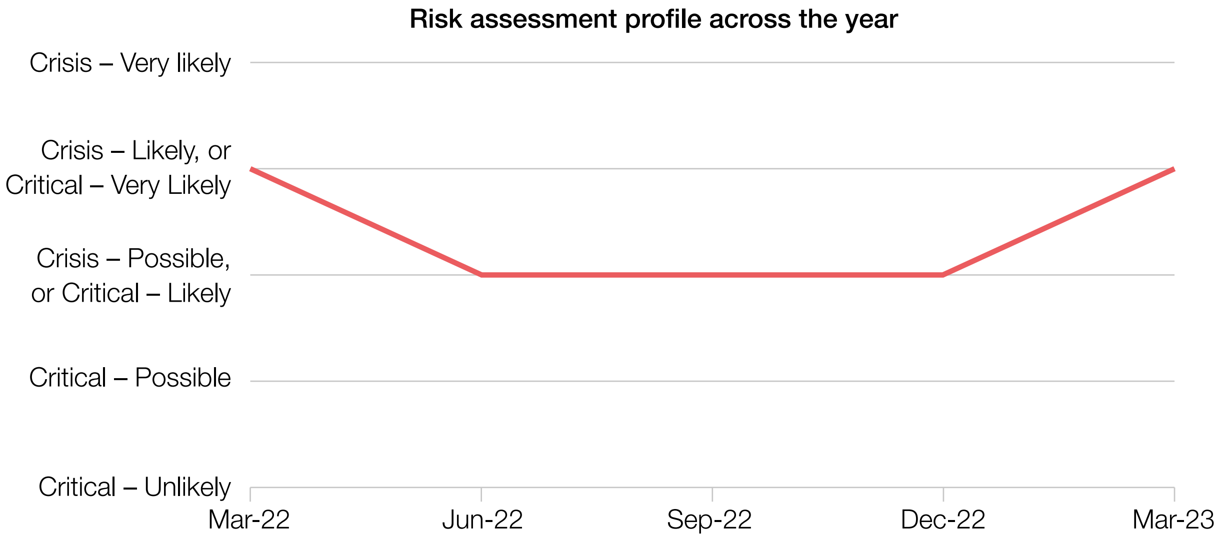
The risk is continually reviewed.

2. Risk name – Education recovery

Risk description

There is a risk of differential recovery from the impact of the pandemic, which could lead to widened attainment gaps between pupils. We have seen progress towards education recovery in terms of academic attainment. However, evidence shows disparities between different groups or pupils with certain characteristics. An ongoing risk therefore remains that recovery is not taking place at the same pace across these groups, potentially maintaining or widening attainment gaps, particularly for disadvantaged pupils.

Risk assessment profile across the year



The graph above covers the whole year, including the period from April 2022 to October 2023 before the risk was escalated to a principal risk.

In-year direction of assessment

Stable

Business group

Strategy Group

Mitigating factors

Through the education recovery portfolio of programmes and research, and wider work with education providers, the Department will continue to improve the evidence base and delivery of programmes to ensure its interventions address recovery issues effectively and target emerging, existing or exacerbated disparities. There may be insufficient demand for or understanding of education recovery interventions in the sector, causing a lack of engagement on recovery programmes and creating programme underspend.

3. Risk name – School buildings

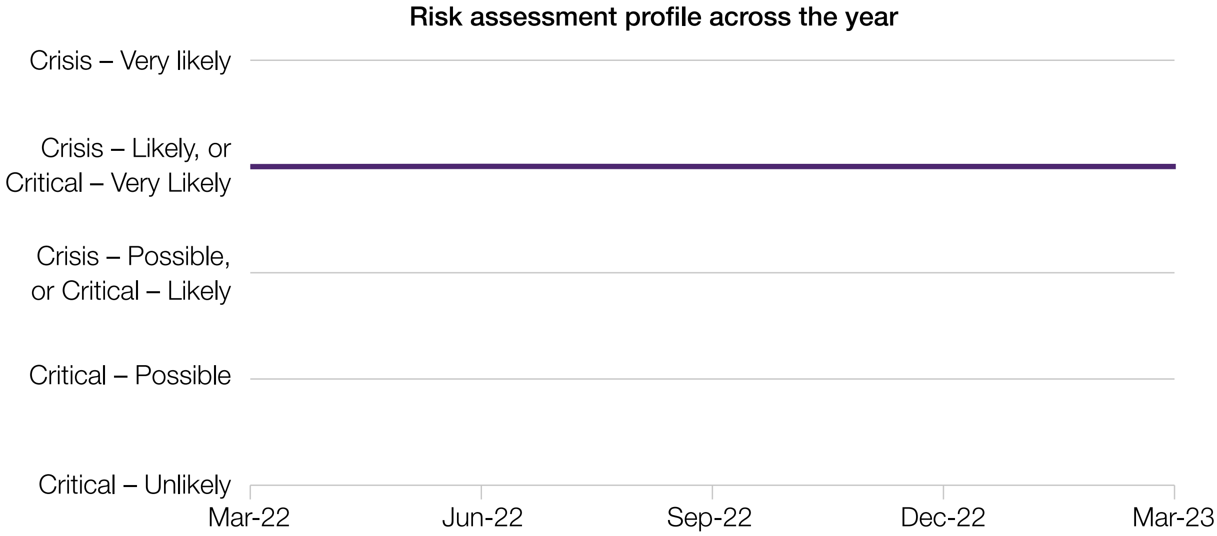
Risk description

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

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

This risk was escalated in July 2021 due to the number of structural issues materialising in the estate. The likelihood increased to very likely in October 2021 given the Department were unable to estimate the prevalence of RAAC in the school estate from existing Departmental information. The risk likelihood has remained stable during the year while the Department carries out work to ensure all bodies responsible for the schools and college estate identify and manage any risks from RAAC in their buildings, which will include additional funding for capital measures needed to mitigate any immediate risks identified. There has not been a structural incident the Department is aware of that has caused injury or harm to pupils and/or staff in the year. At the time of publication there are no open schools or college buildings where we know of an imminent risk of harm.

Risk assessment profile across the year



The graph above covers the whole year, including the period from April 2022 to October 2023 before the risk was escalated to a principal risk.

In-year direction of assessment

Stable

Business group

Operations and Infrastructure Group

Mitigating factors

To prevent deterioration of the estate resulting in safety concerns, the Department provides annual condition funding to schools and those responsible for school buildings to improve and maintain the school estate, providing £1.8 billion in 2022-23. In addition, our School Rebuilding Programme, which will rebuild buildings at 500 schools over the next decade, prioritises schools for selection where their buildings had risks that had the potential to cause significant harm to pupils and/or staff. 22 schools who had types of system buildings that had potential structural weaknesses were prioritised for replacement and included in the first 50 projects. We have now selected over 400 schools to be part of the programme and handed over our first completed school in March 2023.

We have issued a questionnaire to schools, colleges and LA-maintained nurseries to find out whether they have attempted to identify the presence of RAAC in their buildings, and the results of any investigations. Where we become aware of a possible case of RAAC, we have engaged structural engineers to survey schools with suspected RAAC to verify its presence, assess its condition and the level of immediate risk. We fund any essential capital works required to ensure it doesn't pose an immediate risk. Where bodies have not responded to the questionnaire, or have not completed work to identify RAAC, we are proactively following up with those bodies to understand what further support they require and to stress the urgency of identifying RAAC in buildings. We continue to gather data and intelligence on the condition of the school estate, including through our Condition Data Collection 2 programme.

This is one of the biggest condition data collection exercises in the UK public sector, sending surveying organisations to visit every government-funded school and further education college in England to collect data about the condition of their buildings between 2021-2026.

We have a number of programmes and communication channels so we are proactively aware of any serious condition issues in the estate and can quickly support responsible bodies to address them, including guidance to the sector, targeted support to advise trusts on how to manage their estates and capital funding, writing to responsible bodies to ensure they report any structural issues, and providing funding and support to address urgent safety issues where a responsible body does not have the capacity and/or capability to address them. The National Audit Office found our guidance was comprehensive and well-regarded by the sector.

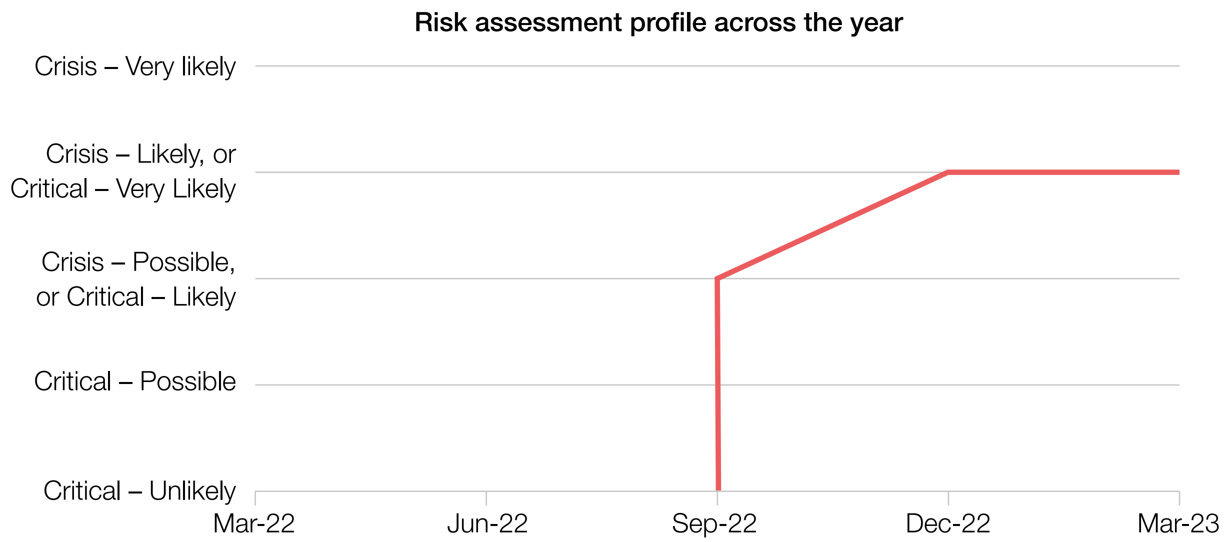
The risk is likely to remain at its current level throughout the next financial year as we work with responsible bodies to help them accurately identify and mitigate structural safety issues.

4. Risk name – Looked-after children placement market failure

Risk description

LAs are increasingly unable to access appropriate placements to meet the needs of children in their care; and the prices they pay continue to increase.

Risk assessment profile across the year



The graph above covers the whole year, including the period from April 2022 to October 2023 before the risk was escalated to a principal risk.

In-year direction of assessment

Worsening

Business group

Families Group

Mitigating factors

In response to reports in 2022 by the Independent Review of Children's Social Care and the Competition and Markets Authority, both of which made recommendations on improving children's care places, we published the Stable Homes, Built on Love: Implementation Strategy and Consultation.[34] This set out our long-term plans to reform the CSC system, supported by £200 million over two years.

Action includes:

- reducing the number of children coming into care through providing earlier help to families – we are investing over £45 million in our Families First for Children pathfinder
- investing over £27 million to deliver a fostering recruitment and retention programme to boost LA fostering capacity
- introducing regional care co-operatives to plan, commission and deliver care places for LAs – we will test these in two regional pathfinders
- developing national support for LAs on forecasting, procurement and market shaping
- working with Ofsted and the sector to develop a financial oversight regime covering the largest providers of children's homes and fostering agencies
- developing a programme to support improvements in leadership and management of children's homes

This builds on funding that was announced during SR21, where we have already started taking action including:

- providing £259 million capital to maintain and expand capacity in children's homes and secure children's homes
- investing £140 million to introduce new national standards and registration requirements for providers of supported accommodation for 16–17-year-olds

In partnership with the Home Office, we have launched a reformed National Transfer Scheme, backed up by £20 million of additional funding, which will help provide a fairer distribution of unaccompanied asylum-seeking children across the country.

LAs have a statutory duty to provide accommodation for children in care. However, if they cannot find suitable accommodation then children will end up in places that don't meet their needs. Our reforms outlined above aim to support LAs to meet that duty.

This risk is likely to remain Critical – Very likely throughout the next financial year.

5. Risk name – High needs cost pressure

Risk description

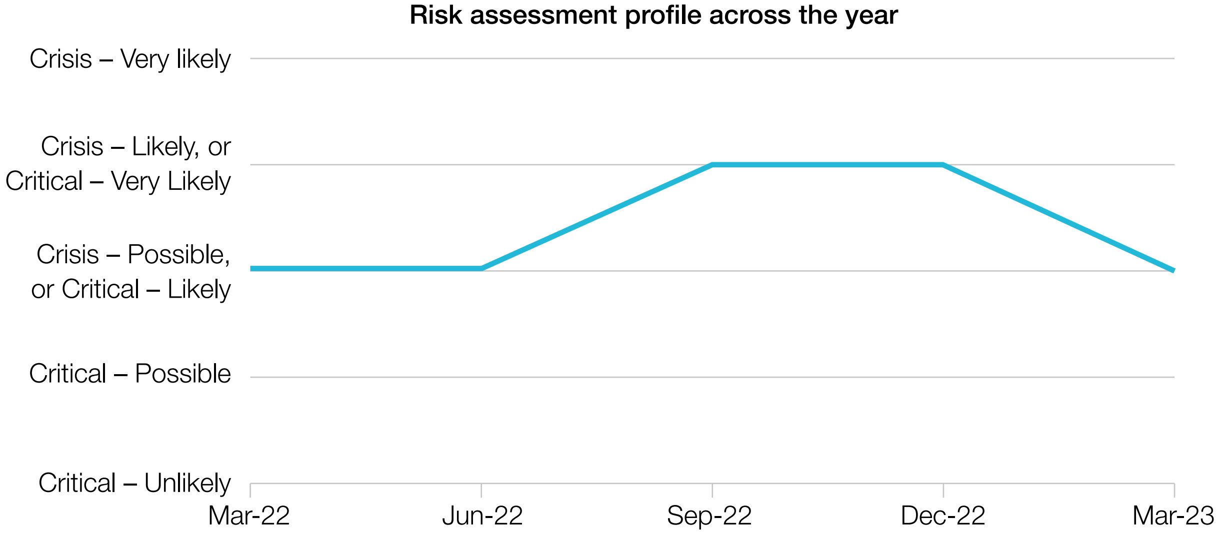
High needs cost pressures are forecast to continue to increase leading to LAs' financial failure.

Despite substantial cash increases in high needs funding, in the medium term (2-5 years) high needs costs continue to rise significantly. This would threaten the overall financial stability of

34 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1147317/Children_s_social_care_stable_homes_consultation_February_2023.pdf

LAs once DLUHC's accounting override regulations expires in April 2026 and undermine efforts to improve educational outcomes for pupils with SEND and improve parental confidence in the SEND and AP system.

Risk assessment profile across the year



In-year direction of assessment

Stable

Business group

Families Group

Mitigating factors

The Department published the SEND and AP Improvement Plan on 2 March 2023 which sets out an ambitious set of reforms to create a national SEND and AP system. The reforms aim for resource to be better targeted at early intervention and mainstream settings to reduce the reliance on securing this through the statutory process. The Department will test key reforms within the plan to achieve this by creating up to nine regional expert partnerships through the £70 million change programme.

The Department is also investing £2.6 billion into SEND and AP places, including opening 33 new special schools with a further 49 in the pipeline, to reduce the reliance on (more costly) independent special schools.

The Department and DLUHC have made changes to the LA accounting treatment of Dedicated Schools Grant (DSG) deficits which have made LAs less susceptible to overall financial failure. DLUHC have now extended these changes to the end of 2025-26.

Work continues on the safety valve targeted programme of intervention, support and monitoring work with LAs with the highest percentage of DSG deficits. The safety valve programme has been in operation since 2020-21, and 34 LAs now have agreements. Agreements hold LAs to account for delivery of reforms to improve their high needs systems and bring them within budget, in return for funding to eliminate the remainder of their historic deficits. For example, every existing safety valve agreement includes conditions requiring LAs to promote early intervention, increase the availability of support for children with SEN in mainstream schools, and/or support mainstream schools to meet children and young people's needs quickly and effectively.

The Delivering Better Value in SEND programme of support to help improve efficiency in a further 55 LAs over the next two years commenced in June 2022 with the first tranche of 20 LAs having completed diagnostics and started implementation. Guidance and research have been published to help all LAs with the management of their high needs budgets.

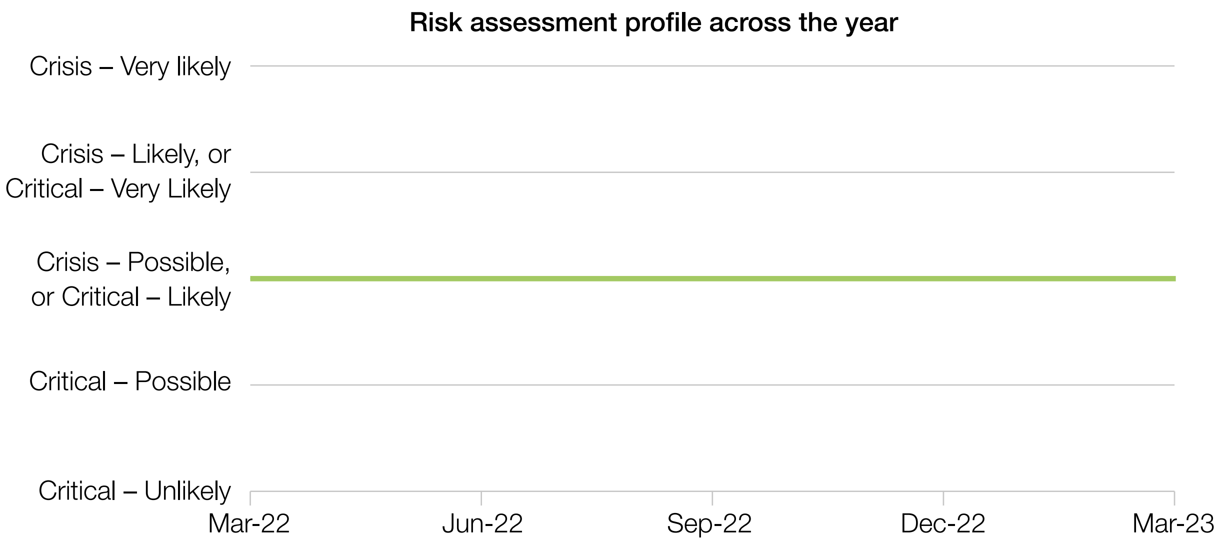
Given the need for systematic, long-term change to the delivery of support for children with SEND, this risk is likely to remain at its current status for the next two years.

6. Risk name – Cyber attack

Risk description

The loss of access to critical departmental systems and services, as well as a loss of critical departmental data.

Risk assessment profile across the year



In-year direction of assessment

Stable

Business group

Operations and Infrastructure Group

Mitigating factors

The overall operating environment remains hostile, and the Department's capacity to prevent, identify and respond to incidents remains below target level. The result is that a critical cyber event remains likely.

However, significant progress has been made in some key areas since last year's report. The Department has partnered with NCC Group to deliver industry-leading incident detection and triage of security incidents.

The Department has also bolstered its capacity to respond to cyber incidents by investing in incident response services and by maturing processes.

Progress has also been made in reducing supply chain risk by bolstering supplier assurance. A new team has led on developing this capability with the result that all new departmental suppliers are now routinely assured for cyber maturity.

Staff awareness continues to be a strength, harnessing innovative methods to foster a cyber secure culture. Results for staff phishing awareness exercises continue to be strong.

Charities Act reporting

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

The following grants were made:

US-UK Fulbright Commission

Grants totalling £1.1 million (2021-22: £1 million) were made to support the work of the commission.

Forward look

FE reclassification

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

The Group's status as a going concern

The Group is expected to continue as a going concern for the foreseeable future and is not aware of any information or events, either during 2022-23 or following the year end which may affect this status.

Budgets for central government departments are collectively agreed in Spending Review exercises overseen by HMT. SR21 set departmental budgets out to 2024-25. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Susan Acland-Hood
Accounting Officer
13 July 2023

PHOTO REDACTED DUE TO THIRD PARTY RIGHTS OR OTHER LEGAL ISSUES

PHOTO REDACTED DUE TO THIRD PARTY RIGHTS OR OTHER LEGAL ISSUES

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

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

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Corporate governance report

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

Directors' report

Ministers and the Board

Ministers at 31 March 2023

The Rt Hon Gillian Keegan MP
Secretary of State for Education
(from 25 October 2022)
Overall responsibility for the Department for Education.

The Rt Hon Nick Gibb MP
Minister of State for School
(from 26 October 2022)
Responsible for:

- Group bodies: STA, TRA, STRB
- school accountability and inspection (including links with Ofsted)
- supporting a high-quality teaching profession including professional development
- supporting recruitment and retention of teachers and school leaders including initial teacher training
- National Tutoring Programme
- school revenue funding, including the national funding formula for schools
- pupil premium
- school food, including free school meals
- qualifications (including links with Ofqual)
- curriculum including relationships, sex, and health education and personal, social, health and economic education
- behaviour, attendance and exclusions
- school sport
- digital strategy and technology in education
- admissions and school transport

The Rt Hon Robert Halfon MP
Minister of State for Skills, Apprenticeships and Higher Education
(from 26 October 2022)
Responsible for:

- Group bodies: OfS, IfATE, CITB, ECITB
- overall strategy for post-16 technical education
- T Levels and transition programme
- qualifications reviews (levels 3 and below)
- higher technical education (levels 4 and 5)
- apprenticeships and traineeships
- further education workforce and funding
- Institutes of Technology
- local skills improvement plans and Local Skills Improvement Fund
- adult education, including basic skills, the National Skills Fund and the UK Shared Prosperity Fund
- careers education, information and guidance including the Careers and Enterprise Company
- technical education in specialist schools
- higher education quality and reform
- Lifelong Loan Entitlement
- student experience and widening participation in higher education
- funding for education and training, provision and outcomes for 16 to 19-year-olds
- college governance and accountability
- intervention and financial oversight of further education colleges
- reducing the number of young people who are not in education, employment or training
- international education strategy and the Turing Scheme

Baroness Barran MBE

Parliamentary Under Secretary of State for the School System and Student Finance

(from 27 October 2022)

Responsible for:

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

Claire Coutinho MP

Parliamentary Under Secretary of State for Children, Families and Wellbeing

(from 26 October 2022)

Responsible for:

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

Our management

We are committed to ensuring our Board has the right skills and experience to enable challenge and breadth in our strategic thinking. The Department's closing Board membership and the committees they are members of, at 31 March 2023, is shown in the photomontage below.

Executive members at 31 March 2023

Susan Acland-Hood
Permanent Secretary
Accounting Officer

Appointment: September 2020

Departmental Board
Leadership Team (Chair)
Nominations Committee

Indra Morris CB
Director General,
Families Group

Appointment: January 2017

Departmental Board
Leadership Team

Caroline Pusey
Joint Interim Director General,
Schools Group

Appointment: 20 March 2023

Leadership Team

Heather McNaughton
Joint Interim Director General,
Schools Group

Appointment: 20 March 2023

Leadership Team

John Edwards
Director General,
Regions Group

Appointment: 13 June 2022

Leadership Team

Jane Cunliffe
Chief Operating Officer
Director General,
Operations and Infrastructure Group

Appointment: 28 November 2022

Departmental Board
Leadership Team

Julia Kinniburgh
Director General,
Skills Group

Appointment: 5 December 2020

Leadership Team

Tony Foot
Director General,
Strategy Group

Appointment: 28 March 2023

Departmental Board
Leadership Team

Non-executive members

Richard Pennycook CBE
Lead non-executive board member
Appointment: October 2017
Departmental Board
Audit and Risk Committee
Nominations Committee (Chair)

Toby Peyton-Jones
Non-executive board member
Appointment: November 2018
Departmental Board
Nominations Committee

Jack Boyer OBE
Non-executive board member
Appointment: 31 May 2022
Departmental Board
Nominations Committee

Suzy Levy
Non-executive board member
Appointment: 31 May 2022
Departmental Board
Nominations Committee

Stuart McMinnies
Non-executive board member
Appointment: 31 May 2022
Departmental Board
Audit and Risk Committee (Chair)
Nominations Committee

Sir Peter Bazalgette
Non-executive board member
Appointment: 31 May 2022
Departmental Board
Nominations Committee

Changes to the ministerial team in 2022-23

Ministerial portfolios were changed during the year as part of wider ministerial reshuffles. Below we present the outcome of each reshuffle and ministerial portfolios, with the year end position shown at the start of the Directors' Report.

Ministerial portfolios at start of the year	
Secretary of State for Education The Rt Hon Nadhim Zahawi MP (to 5 July 2022)	
Minister of State for School Standards Robin Walker MP (to 6 July 2022)	**Minister of State for Higher and Further Education** The Rt Hon Michelle Donelan MP (to 5 July 2022)
Parliamentary Under Secretary of State for the School System Baroness Barran MBE (to 20 September 2022)	**Parliamentary Under Secretary of State for Apprenticeships and Skills** Alex Burghart MP (to 6 July 2022)
Parliamentary Under Secretary of State for Children and Families Will Quince MP (to 7 July 2022)	

Ministerial portfolios at July 2022	
Secretary of State for Education The Rt Hon Michelle Donelan MP (from 5 July 2022 to 7 July 2022) The Rt Hon James Cleverly MP (from 7 July 2022 to 6 September 2022)	
Minister of State for School Standards Will Quince MP (from 7 July 2022 to 7 September 2022)	**Parliamentary Under Secretary of State for Skills, Further and Higher Education** Andrea Jenkyns MP (from 8 July 2022 to 8 September 2022)
Parliamentary Under Secretary of State for Children and Families Brendan Clarke-Smith MP (from 8 July 2022 to 7 September 2022)	**Parliamentary Under Secretary of State for the School System** Baroness Barran MBE (to 20 September 2022)

Ministerial portfolios at September 2022	
Secretary of State for Education The Rt Hon Kit Malthouse MP (from 6 September 2022 to 25 October 2022)	
Minister of State for Schools and Childhood Kelly Tolhurst MP (from 7 September 2022 to 27 October 2022)	**Parliamentary Under Secretary of State for Skills** Andrea Jenkyns MP (from 8 September 2022 to 27 October 2022)
Parliamentary Under Secretary of State for School Standards Jonathan Gullis MP (from 7 September 2022 to 28 October 2022)	**Parliamentary Under Secretary of State for the School and College System** Baroness Barran MBE (from 21 September 2022 to 26 October 2022)

Changes in officials in 2022-23

Changes in officials during the year are given below by business group to improve understanding.

Schools Group, Director General

Andrew McCully
in post from 31 March 2022 to 31 March 2023 when he retired

Caroline Pusey and Heather McNaughton
(Joint Interim Directors General)
in post from 20 March 2023 to 31 March 2023

The overlap in appointment was to allow for a handover period between Andrew and Caroline and Heather.

Skills Group, Director General

Paul Kett
in post from 31 March 2022 to 2 December 2022

Julia Kinniburgh
in post from 5 December 2022 to 31 March 2023

The gap in appointment was the weekend.

Strategy Group, Director General

Julia Kinniburgh
in post from 1 April 2022 to 4 December 2022

Graham Archer
(Interim Director General)
in post from 5 December 2022 to 27 March 2023

Tony Foot
in post from 28 March 2023 to 31 March 2023

Regions Group, Director General

John Edwards
in post from 13 June 2022 to 31 March 2023

Operations & Infrastructure Group, Director General

Mike Green
in post from 31 March 2022 to 14 April 2022

Iain King
(Interim Director General)
in post from 15 April 2022 to 27 November 2022

Jane Cunliffe
in post from 28 November 2022 to 31 March 2023

Director of Operational Finance

Iain King
in post from 31 March 2022 to 6 November 2022

Director of Strategic Finance

Tony Foot
in post from 31 March 2022 to 27 March 2023

No replacement was in post at the year end.

The appointment of Jane Cunliffe as Director General provided compliance with HMT's Corporate governance in central government departments: code of good practice in that the Department had a finance trained Board member. At that point the role of Joint Chief Financial Officer lapsed.

The Permanent Secretary requested that Tony Foot retained his place on the Board until he took over as Director General of Strategy Group, which is itself a Board member role.

Changes in non-executive board members in 2022-23

Non-executive board member	Dates	Position
Ian Ferguson	To 16 June 2022	Non-executive board member Chair of ARC
Stuart McMinnies	From 31 May 2022	Non-executive board member Chair of ARC
Sir Peter Bazalgette	From 31 May 2022	Non-executive board member
Jack Boyer OBE	From 31 May 2022	Non-executive board member
Suzy Levy	From 31 May 2022	Non-executive board member
Nick Timothy	To 16 June 2022	Non-executive board member

Changes in 2023-24

Officials	Dates	Position
Suzy Levy	To 13 April 2023	Non-executive board member
Caroline Pusey	To 21 May 2023	Schools Group, Joint Interim Director General
Heather McNaughton	To 21 May 2023	Schools Group, Joint Interim Director General
Juliet Chua	From 22 May 2023	Schools Group, Director General
Indra Morris	To 1 June 2023	Families Group, Director General
Graham Archer	From 30 May 2023	Families Group, Interim Director General

Register of interests

The Department maintains a register of interests to ensure that potential conflicts of interest can be identified. Executive and non-executive board members are required to declare details of company directorships and other significant interests, on appointment to the Board and on an annual basis. The Department publishes the register[35] annually alongside its ARA.

Details of directorships and other significant interests held by ministers are set out in the Register of Members' Interests[36] for MPs, and the Register of Lords' Interests.[37]

Special advisers

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

Data management

	2022-23	2021-22	2020-21	2019-20	2018-19
Number of incidents	2	7	4	3	2

There were two personal data related incidents in 2022-23 (2021-22: seven) which were reported to the Information Commissioner's Office (ICO). Further detail on data security and compliance is in annex A.

Department spending

Remuneration paid to auditors for non-audit work

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

Political donations and expenditure

The Department has not made any political donations during the year (2021-22: £nil).

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

Research spending

	2022-23	2021-22	2020-21	2019-20	2018-19
	£m	**£m**	**£m**	**£m**	**£m**
Department	29.3	19.9	13.5	27	29
Agencies	-	0.1	-	-	0.3
NDPBs	0.3	0.3	0.3	0.1	0.6
	29.6	**20.3**	**13.8**	**27.1**	**29.9**
Of which:					
central research	21.1	7	3.8	4	6.2
policy units/policy evaluation research	8.5	13.3	10	23.1	23.7

The figures reflect the Department's ability to resume research fieldwork as our respondents' ability to engage with research and evaluation returned to normal levels post COVID-19. Spend has returned to pre-pandemic levels as fieldwork restrictions have been lifted. Despite the return to normal spend, the Department continues to work on undertaking research work in-house, where possible and appropriate. The Department centralised social and economic research budgets in 2020-21 are now seeing Departmental research spend being heavily weighted to the central research budget. The aim going into 2023-24 is to reduce policy spend, or proportion of, further wherever possible so that research spend is governed, controlled, and reported centrally. This will improve monitoring of spend, reporting, will ensure spend is proportionate, making savings if and where appropriate to do so.

The central research budget funds social and economic research and evaluation studies that shape and influence policy delivery around early years education, schools, further and higher education and social care. High-quality evidence and robust evaluation enable policies to be better targeted and help ensure value for money. Key research strands during the year covered international evidence including:

- Programme for the International Assessment of Adult Competencies
- International Early Learning and Child Well-being Study
- Programme Progress in Reading Literacy Study
- Trends in International Mathematics and Science Study
- Progress in International Student Achievement
- work on early years and childcare such as Survey of Childcare and Early Years (providers and parents)

Longitudinal studies for the Education and Outcomes Panel have continued to develop such as Children of the 2020s, Longitudinal Study of Teachers and the Longitudinal Study of Young People in England.

Central Analysis and Research Division also have key evaluations of policies such as NTP, Turing Scheme, Stronger Practice Hubs, Early Years Professional Development Programme, Early Years Covid Recovery: Experts and Mentors Programme, and research supporting government investment in Family Hubs as well as our regular panel surveys of teachers, pupils, parents and carers. Further details of these research strands are available online.[38]

Financial instruments and exposure to risk

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

Further information on the risks associated with financial instruments are set out at note 11.

Board's declaration

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

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

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HMT has directed the Department for Education to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the Department (inclusive of its executive agencies) and its sponsored non-departmental public bodies designated by order made under the GRAA by Statutory Instrument 2022 no 1319 (together known as the 'Departmental Group', consisting of the Department and sponsored bodies listed at note 23 to the accounts). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and the Departmental Group and of the income and expenditure, SoFP and cash flows of the Departmental Group for the financial year.

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

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

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

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

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Department for Education's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

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Governance statement

Overview

Our governance statement sets out our governance, risk management, the assurances I have received, as Principal Accounting Officer, and our compliance with HMT's Corporate governance in central government departments: code of good practice.

How we are structured

The Department for Education is a ministerial department that is supported by and works with 14 agencies and public bodies, as listed in note 23 and which together form this reporting group, who assist the Department in implementing its policies and achieving its aims and objectives. The agencies and public bodies consist of executive agencies, executive NDPBs, advisory NDPBs and other organisations.

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

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

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

My Leadership Team and I receive regular reporting, including on the stewardship of risks which contribute to assurance that Departmental funds are spent for the purposes voted by Parliament, within the rules of financial propriety and regularity, and with due regard for value for money. The main findings are summarised within this statement below.

During 2022-23, the ARC regularly reviewed management of issues and near misses and provided guidance on matters of risk and assurance. It scrutinised the Group's internal audit plan, findings from reports and progress with follow-up actions. ARC also regularly reviewed recommendations from Public Accounts Committee (PAC) and value for money reports and arrangements for managing incidents of fraud, error and debt.

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

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

The Department's governance structures

The content below covering the Department's governance structures is at the end of the 2022-23 financial year, unless otherwise stated. The ministerial and leadership team changes are reflected. During the year, a review of departmental Board's governance was completed.

The findings were largely positive and, as a result, the Department's governance structures remained broadly unchanged. Unrelated to the review, the Implementation Committee was discontinued from June 2022 with the agreement that its responsibilities were sufficiently covered by the Board, with the meeting's increased frequency.

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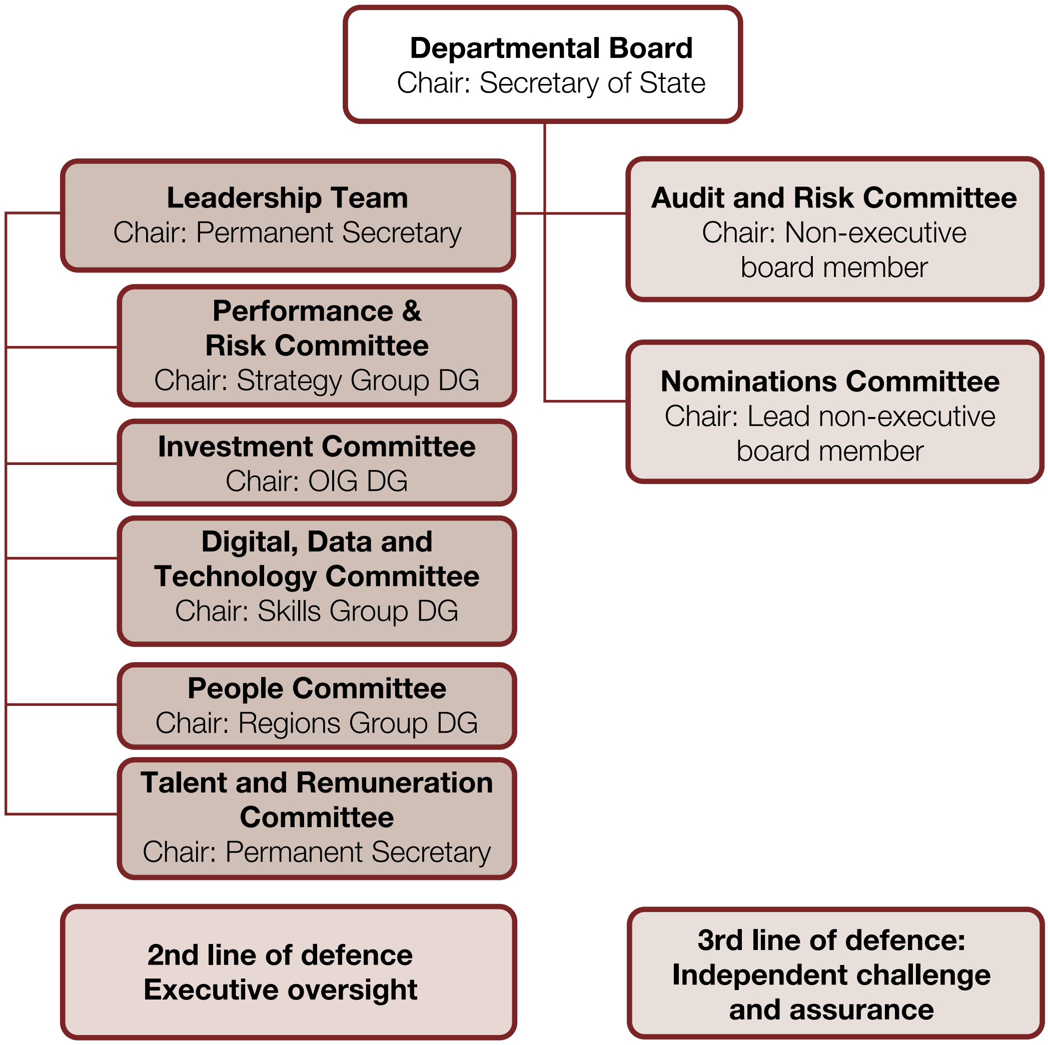

Departmental Board

Overview

Chair: Rt Hon Gillian Keegan MP, Secretary of State

Membership: as well as the Chair, the Board comprises the Minister for the Board, the Permanent Secretary, the Chief Operating Officer, the Director General of Strategy, Director General of Families, the Strategic Finance Director (until 27 March 2023) and the non-executive board members. All other ministers, other Directors General, and Strategy and Delivery Director have a standing invitation to attend the Board meetings.

Meeting frequency: six times during the reporting year.

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

- strategy
- operations
- deliverability of policy

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

Key activities during 2022-23

The discussions of the Board this year, as grouped into the business groups of the Department, included:

Skills, Schools, Families, and Regions

- **LLE:** an update on the work of the LLE and the challenges faced by the Bill. The Board advocated for join up on this work in other government departments and emphasised keeping the learner at the forefront of the work.
- **Unit for Future Skills:** an update on the formation and work of the Unit for Future Skills. The Board noted the importance the Unit's dashboards will be in producing cross-cutting data from across the government to provide insight into jobs and skills.
- **Levelling Up: devolution of skills:** an overview of the Department's plans for the devolution of skills. The Board discussed the implementation of the *Skills White Paper* and the role of mayoral combined authorities.
- **Employer engagement:** the plans for a Department-led conference with employers, with regards to its attendees and contents. The Board discussed the importance of engaging industry in the Department's skills offer.
- **Programme update: skills:** the work of Sir Michael Barber advice work on skills. The Board discussed the areas of focus of the work and other international skills programmes.
- **Independent Review of Children's Social Care:** an update on the progress of the review. The Board discussed the review's delivery plan and challenges faced by the sector.
- **National panel review:** an overview of the findings of the national review into the murders of Arthur Labinjo-Hughes and Star Hobson. The Board noted the importance of a multi-agency approach to the implementation of the review's recommendations on child protection.

Strategy

- **Performance reporting:** an overview of Departmental performance, major project delivery, risk and key cross-cutting themes. The Board discussed the progress and challenges on programme delivery across the Department.
- **Sector workforce strikes:** an update on industrial action in the schools, FE and HE sectors and the Department's preparation and response.

Operations and Infrastructure

- **Financial updates:** an overview of the Department's budget, in reflection of each budgetary statement from HMT and the Department's in-year financial positions. The Board discussed opportunities for efficiencies and the financial pressures experienced across the sector.
- **NDPB governance:** An overview of assurance on the governance of NDPBs and cross-cutting activity in the broader NDPB landscape. The Board discussed the Department's relationship with its NDPBs.
- **Risk deep dive: schools building failure:** an update on the nature of this top tier risk and mitigations on the school estate. The Board highlighted the importance and urgency of the work to identify school buildings at risk.

Board performance and effectiveness

A board effectiveness evaluation was undertaken during the year and was considered by the Board in November 2022. The results reflected the strengths of the Board, in relation to members' balance of skills, and areas of development, such as the information flow between the Board and its sub-committees and its oversight of the Department's NDPBs. The Board accepted the evaluation's recommendations which have been implemented throughout the year with a continued emphasis on continuous improvement.

The non-executive board members participated in a number of meetings outside of the Board. From November 2022, the non-executive board members were aligned with the six business groups to offer independent support and advice. The lead non-executive board member provides support and challenge to the Department's work to strengthen the Union and other non-executive board members champions climate change and sustainability in the Department.

Managing conflicts of interests

At the beginning of every Board meeting, all members are asked to declare any new potential conflicts of interests. The current register of interests has been published separately to this ARA. The process is duplicated in the Board's sub-committees: Leadership Team, ARC, Implementation Committee and Nominations Committee.

Attendance at meetings

Attendance records for members, but not attendees, are given in the separate section after the Nominations Committee review.

Leadership Team

Overview

Chair: Susan Acland-Hood, Permanent Secretary.

Membership: consists of the Permanent Secretary, Directors General, the Chief Executive of the ESFA and the Director of Strategic Finance. The Director of Strategy, the Director of Human Resources and Transformation, and the Chief Scientific Adviser routinely attend but are not members.

Meeting frequency: monthly, except for August.

Role: the Leadership Team provides day to day executive leadership and management on behalf of the Board. It focuses on departmental management, transformation, and performance. The Leadership Team is supported by five sub committees:

- People Committee
- Digital, Data and Technology Committee
- Investment Committee
- Performance and Risk Committee
- Talent and Remuneration Committee

Key activities during 2022-23

The discussions of the Leadership Team focused on:

- **Finance:** Reviewed the financial health of the organisation at the end of each monthly reporting period, alongside business planning and Spending Review preparation when appropriate.
- **Delivery highlight report:** Considered a monthly report of cross-cutting departmental challenges and highlights of the performance of the Department's major projects. A few key risks were also discussed in greater depth, including financial pressures on schools and condition of school buildings.
- **Sub-committee updates:** Considered a monthly report on the work of its sub-committees.
- **Strategic workforce plan:** Discussed the Department's strategic workforce plan and related proposals on the Future Engage Deliver leadership programme, a Future Skills scoping exercise, and a review of Departmental spans and layers.
- **Data transformation:** Discussed proposals to transform how the Department collects, uses, and reports data.
- **DfE transformation:** Discussed the DfE Transformation programme, including the creation of Regions Group, NDPB restructures and commitments made as part of Civil Service 2025.
- **Pay:** Considered proposals on pay, including pay award priorities ahead of the release of the Cabinet Office pay remit guidance.
- **Qualifications:** Received an update on 2022 qualifications and results day and an overview of the forward plans for 2023 qualifications.
- **Long-term strategy & ministerial missions:** Considered several items on Departmental strategy, including an item on the Secretary of State's missions and goals for the education and care system in 2040.

- **Cross-sector workforce risk:** Discussed items on cross-sector workforce risk at the December and March meetings, focusing on recruitment and retention and opportunities for future analysis. Leadership Team also received an update on industrial action in the sector in January.
- **Policy/delivery updates:** Received updates on key areas of rapid policy development or delivery, including the Schools Bill, National Tutoring Programme, primary education, Maths to 18 and Childcare Delivery.
- **Shadow Leadership Team:** A new cohort of Shadow Leadership Team members was recruited. From June onwards the new Shadow Leadership Team held meetings in advance of each Leadership Team meeting, considering the same papers, and representatives attended the full Leadership Team meeting and contributed views. Leadership Team noted frequently in meetings how helpful the contributions from the Shadow Team were.

Attendance at meetings

Attendance records for members, but not attendees, are given in the separate section after the Nominations Committee review.

Audit and Risk Committee

Overview

Chair: Stuart McMinnies, non-executive board member.

Membership: the committee consists of two non-executive Board members, one of whom is the Chair, and four independent members.

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

Meeting frequency: six times during the year.

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

Key activities in 2022-23

- ARC received regular reports from the GIAA. The Committee discussed the GIAA's audit plans for 2022-23 and 2023-24 and the outcomes of audits on areas of the Department. Non-compliance and the capacity of the Department to respond to audit request was discussed.
- ARC scrutinised and, when appropriate, amended and approved the Department's plans for producing the Department's ARA. It received regular reports from the Department and the NAO on the progress of the annual financial audit. It also received updates on the progress of, and plans for, new NAO value for money audits.
- The committee regularly reviewed and scrutinised updates on SARA and the TRA, STA, and TPS ARAs ahead of their completion and laying.
- The ARC received regular updates on the audit and risk activity of SLC and ESFA.
- ARC considered the Department's effectiveness in its systems and processes for managing risk and monitored planned improvements. The committee discussed the Department's near misses and unexpected issues and the top tier risk report, both on a quarterly basis.
- During the year, ARC reviewed regular and *ad hoc* reports provided on key issues and risks identified in the top tier risk report and on delivery priorities and milestones. These included: school building failure, fraud, cost of living, FE reclassification, whistleblowing, IT controls and compliance, PAC hearings and NAO recommendations from their reviews.
- The committee received updates on the operation of financial controls, collected management assurances and activity to improve grant management in the Department.
- ARC workshops were held to allow for in-depth analysis of Departmental activity which included: grants and commercial assurance, cost of living, school estate, FE reform, financial controls, disaster recovery and cyber security.

- ARC continued to receive regular updates and review of Departmental governance at executive level. This included an update on the sub-committees' agendas and internal governance, as well as reviewing Departmental governance structures.
- The chairs of the Department's NDPB ARCs and the ARC Chair continue to meet at network meetings on a six-monthly basis.

Attendance at meetings

Attendance records for members, but not attendees, are given in the separate section after the Nominations Committee review.

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Nominations Committee

Overview

Chair: Richard Pennycook, lead non-executive board member.

Membership: as well as the Chair, the committee consists of the non-executive board members, the Permanent Secretary, and the Director of Human Resources and Transformation

Meeting frequency: four times during the year.

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

Key activities during 2022-23

The discussions of the committee included:

- **SCS pay:** was informed of key developments in SCS pay. The committee discussed the Cabinet Office's SCS Capability-Based Pay pilot and its impact on the Department, in addition to how the Department's SCS pay offering compared to other government departments.
- **SCS talent:** members took part in discussions to help foster robust succession pipelines and talent management plans for SCS. The committee discussed means of creating an end-to-end approach to the SCS talent pool.
- **Whistleblowing:** received regular high-level updates on live whistleblowing cases in the Department. The committee discussed how the Department could capture more informal data and the importance of the People Survey in providing an insight into departmental knowledge of whistleblowing and reporting.
- **Public appointments update:** received regular updates on recent public appointments. The committee discussed the Department's recruitment process for its non-executive board members and the importance of continually promoting diversity at Board level, specifically as a means of creating a warm talent pipeline for boards.

Attendance at meetings

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

Attendance records

The tables below present member attendance at meetings throughout 2022-23. Not all members were in post throughout the year or held different posts with differing committee memberships in the year. To improve transparency, we have provided attendance values as well the number of meetings available to members to attend, which is presented as “2 out of 2”. Where individuals are not members of a committee “NM” has been presented which means “non-member”.

Chairs

	Board	Leadership Team	Audit and Risk Committee	Nominations Committee
	Secretary of State	Susan Acland-Hood	Ian Ferguson, followed by Stuart McMinnies	Richard Pennycook

Ministers

	Meetings attended (where possible)			
	Board	Leadership Team	Audit and Risk Committee	Nominations Committee
Rt Hon Nadhim Zahawi MP	1 out of 2	NM	NM	NM
Rt Hon Michelle Donelan MP	2 out of 2	NM	NM	NM
Rt Hon James Cleverly MP	nil out of nil	NM	NM	NM
Rt Hon Kit Malthouse MP	1 out of 1	NM	NM	NM
Rt Hon Gillian Keegan MP	2 out of 3	NM	NM	NM
Baroness Barran	4 out of 4	NM	NM	NM

Non-executive and independent members

	Meetings attended (where possible)			
	Board	Leadership Team	Audit and Risk Committee	Nominations Committee
Non-executive members				
Richard Pennycook	4 out of 6	NM	2 out of 6	4 out of 4
Ian Ferguson	2 out of 2	NM	2 out of 2	1 out of 1
Toby Peyton-Jones	6 out of 6	NM	NM	4 out of 4
Nick Timothy	1 out of 1	NM	NM	nil out of nil
Stuart McMinnies	4 out of 4	NM	4 out of 4	3 out of 3
Sir Peter Bazalgette	4 out of 4	NM	NM	3 out of 3
Jack Boyer	4 out of 4	NM	NM	3 out of 3
Suzy Levy	4 out of 4	NM	NM	3 out of 3
Independent members				
Nigel Johnson	NM	NM	4 out of 4	NM
Hunada Nouss	NM	NM	6 out of 6	NM
Charlotte Moar	NM	NM	6 out of 6	NM
Alastair Murray	NM	NM	6 out of 6	NM
Emir Faisial	NM	NM	3 out of 3	NM

Senior officials

	Meetings attended (where possible)			
	Board	Leadership Team	Audit and Risk Committee	Nominations Committee
Susan Acland-Hood	6 out of 6	10 out of 11	NM	NM
Indra Morris (DG Families Group)	6 out of 6	8 out of 11	NM	2 out of 2
Andrew McCully (DG Schools Group)	NM	10 out of 10	NM	NM
Caroline Pusey (Joint interim DG Schools Group)	NM	nil out of 1	NM	NM
Heather McNaughton (Joint interim DG Schools Group)	NM	1 out of 1	NM	NM
Paul Kett (DG of Skills Group)	NM	7 out of 7	NM	NM
Julia Kinniburgh (DG of Strategy Group, then DG of Skills Group)	3 out of 4	11 out of 11	NM	NM
Graham Archer (Interim DG of Strategy Group)	2 out of 3	3 out of 3	NM	NM
Tony Foot (Director of Strategic Finance, then DG of Strategy Group)	6 out of 6	11 out of 11	NM	NM
John Edwards (DG of Regions Group)	NM	9 out of 11	NM	NM
Mike Green (DG of OIG)	nil out of nil	nil out of nil	NM	NM
Iain King (Interim DG of OIG)	4 out of 4	6 out of 6	NM	NM
Jane Cunliffe (DG of OIG)	2 out of 2	5 out of 5	NM	NM
David Withey (Chief Executive of ESFA)	NM	6 out of 6	NM	NM
Simon Fryer (HR Director)	NM	NM	NM	2 out of 2
Naomi Schweitzer (HR Director)	NM	NM	NM	nil out of nil

Implementation Committee (retired)

Overview

Chair: Richard Pennycook, lead-non-executive board member.

Membership: as well as the Chair, the committee consisted of the Permanent Secretary, Directors General, the other non-executive board members, the Director of Strategic Finance, Director of Strategy, the Chief Analyst, and the Head of the Delivery Unit.

Meeting frequency: two times during 2022-23.

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

The committee was retired in July 2022 as it was decided by the Chair and Permanent Secretary, with agreement from the Secretary of State, that the Department's Board was fulfilling the role of a delivery board.

Key activities during 2022-23

The discussions of the committee:

- **Performance reporting:** the forecast and trajectory of major projects and programmes in the Department. The committee discussed the challenges facing delivery, following discussion at the Performance and Risk Committee.
- **Schools White Paper:** an update on the work of the White Paper and the creation of the Schools Board to oversee the paper's implementation. The committee discussed challenges to delivery and advocated for external collaboration.
- **High Needs risk and SEND review:** the publication of the government's response to consultation alongside a SEND and AP delivery plan. The committee discussed the challenges faced by LAs and the need for join up across the sector.
- **Workforce headcount:** an overview of the Department's delivery plan for the Cabinet Office's commission to model headcount reductions. The committee advised preparedness for all models, noting the challenge of co-ordinating the Department's response to the headcount commission with other government departments.

Attendance at meetings

All attendees were present at both meetings held prior to the committee's retirement in July 2022.

Managing our risks

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

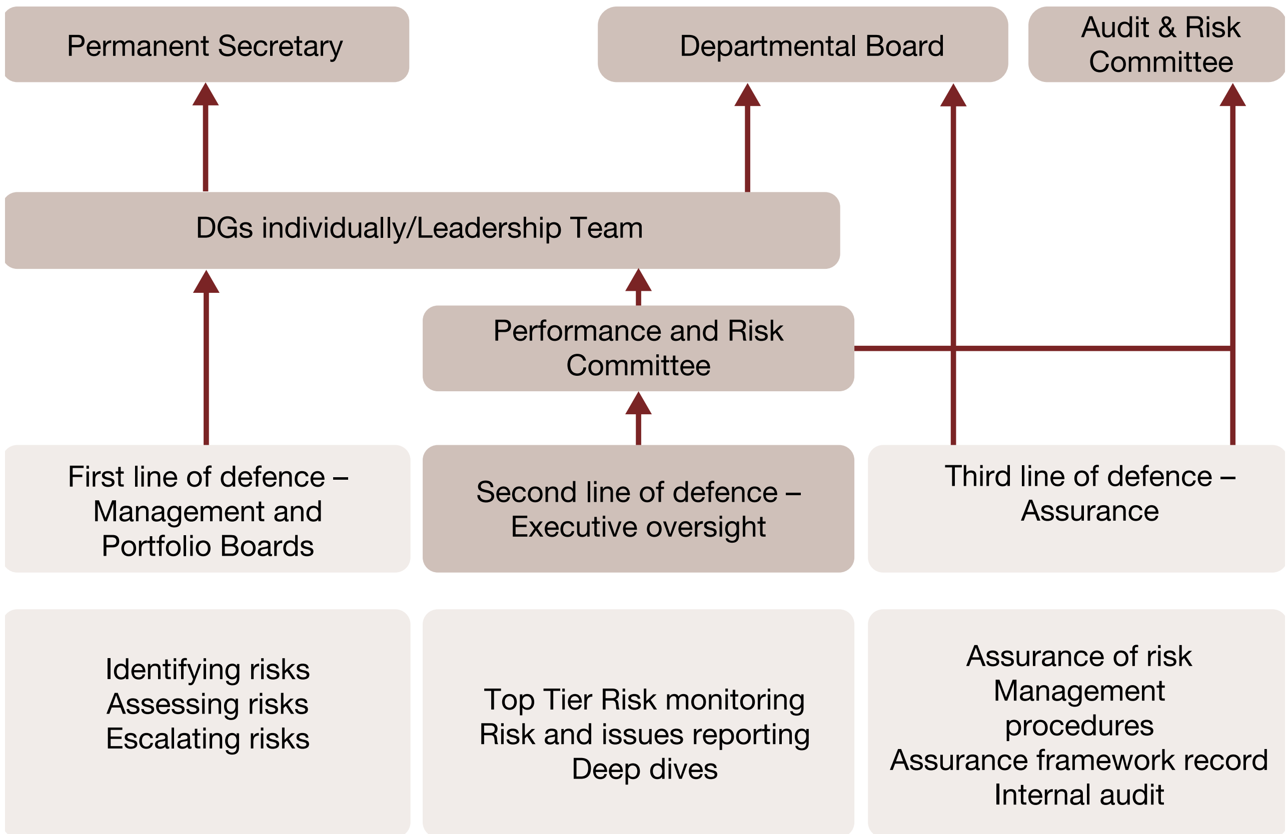
The risk management framework

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

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

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

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



Risk assurance

ARC

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

Risk capability improvements this year

Risk capability improvements this year include:

- the automation of our principal risk reporting to enable live update and review which has greatly improved our ability to scrutinise information and content
- the development of key risk indicators and supporting guidance for our principal risk reporting to enable improved risk severity assessments
- continuous development of the Department's risk appetite statement for use as a decision-making tool for the Department
- establishment of Group-level portfolio boards with clear risk information flow into corporate committee structure via PRC
- on-going development of NDPB risk network events intended to share risk information and showcase different developments across the NDPB environment

Other sources of assurance

Counter fraud, error and debt

The Department works with the newly formed Public Sector Fraud Authority (PSFA) and across government to leverage and share experience and expertise to drive down fraud within the public sector.

A dedicated central fraud team provides strategic guidance and co-ordination of activity, overseen by a nominated board member. The Department and its Agencies and NDPBs (such as ESFA and SLC) are supportive of the PSFA-led development of functional standards for counter fraud activity and continue to adhere to them in their current form.

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

Instances of fraud and error, if any in the year, are reported to both the PSFA and to ARC, through six-monthly updates.

Each of the Department's Agencies and NDPBs have their own counter fraud teams that share best practice via network events organised every two months and chaired by the central fraud team. The Department and its bodies work on a risk-based approach to ensure that available resources and time are focused on the highest risk areas.

Fraud risk assessments are in place across each business area and are now supported centrally by accredited counter fraud professionals. Assessments have been completed against all major spend initiatives which includes high-risk and politically sensitive schemes. This enables us to develop control landscapes across spend to prevent fraud and error occurring. The fraud team have initiated a cycle of follow ups against fraud risk assessments to ensure they are kept as 'live' documents and any issues are addressed promptly to fully manage the risks.

The Department also engages in a spend audit via GIAA as well as the Cabinet Office run National Fraud Initiative to detect all anomalous payments that might represent fraud or error. The Department aims to undertake fraud measurement exercises each year, to detect fraud in high-risk areas where little or nothing is known of fraud.

This year, resource was allocated to conclude the Department's post-event assurance plan with a revised edition submitted in September 2022, aimed at measuring fraud and errors in COVID-19 related spend programmes. Final fraud and error levels in these schemes were reported last year (total detected was £283,554 and total recovered was £208,825). This year, all major schemes moved either to a business-as-usual footing or ceased funding. All material fraud and error is reported in our consolidated data return for the PSFA – their Fraud Landscape Report is available here.[39]

The counter fraud team continue to analyse the Department's Financial Operations Division's strategic risks and their associated control environment to assess whether it is fit for purpose.

39 https://www.gov.uk/government/publications/cross-government-fraud-landscape-annual-report-2022

By assessing, testing, and tracking our controls we are able to accurately report against our operational risks.

The debt function also sits in the Financial Operations Division. Since centralising all aspects of debt management there has been a greater understanding of the Department's debt position which has enabled a greater level of robust reporting. The Department continues to drive, improve, and enhance credit control processes which has enabled a targeted approach to reducing aged debt levels. The debt team works closely with each of the Department's bodies to provide advice and guidance to ensure debt is accounted for and reported correctly. This includes discussions on liquidations and customers in administration where the debt team struggle on recovery.

The debt function has a voice that enables us to work closely with cross-government groups to ensure consistency and best practice across government. This includes feeding into the Cabinet Office so central government can report its true level of debt.

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

Assurance framework record

Our SCS are accountable for maintaining effective systems and processes across their areas of responsibility to ensure that cross-Departmental control frameworks are appropriately upheld and monitored. In order for the Accounting Officer to take assurance that relevant controls have operated effectively, every area of the Department is required to complete an Assurance Framework Record on an annual basis, devolved at least to Director level. This acts as an area-specific record of management assurances over the effectiveness of our control frameworks, covering: governance; business strategy and planning; risk management; people, capacity and capability; commercial and grant management; and financial management. The Corporate Assurance team review and assess responses and support areas in identifying future improvements.

Knowledge and information management

The Department's records review progress continues, though at a slower pace due to time spent supporting the COVID-19 Public Inquiry, and Independent Inquiry into Child Sexual Abuse (IICSA). The Department has adhered to the Public Records Act 1958 20-year rule by virtue of applying for a retention instrument from The National Archives Advisory Council.

Records and information management advice has been given to the Department's COVID-19 Public Inquiry and IICSA teams. The IICSA moratorium on the destruction of records is now lifted, which would in theory allow the Department to begin to apply retention and disposal rules normally. However, advice from the COVID-19 inquiry is to continue to retain, which prevents the Department from applying the Public Records and Data Protection Act retention rules as it should.

The Department's information asset register reviews have continued on a quarterly basis, with our Register of Processing Activities and Data Governance critical asset collection and assurance activities now fully integrated.

A small knowledge management team has re-engaged with knowledge champions across the Department, to share good practice on knowledge retention, especially in light of members of staff leaving under the voluntary exit scheme.

Data protection statement

ICO audit

The Information Commissioner signed off the remaining audit recommendations on 6 March 2023. Both the Department and the ICO recognise that there are still more improvements to be made to implement data protection best practice across both the Department and the education sector.

November 2022 ICO reprimand – learner record service breach in January 2020

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

Bringing the Department and education sector together

In November 2022, the Department launched the Education Privacy Assurance programme which will provide schools with training, advice and guidance on data protection. This will enable us to improve our transparency obligations and increase understanding of what happens to personal data across the education sector by introducing common language and templates, which the Department will also adopt. We also introduced a new set of privacy notices which groups information about what processing we do by education key stages.

This will also have the benefit of reducing the workload on schools by simplifying what they need to do to comply with data protection legislation.

NDPB risk management

Each of the Department's NDPBs have their own governance structure where risk management is embedded, so they identify and manage their own risks. The NDPBs work in partnership with the Department which supports the work of the NDPBs and helps to manage risk jointly.

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

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

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

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

Analytical quality assurance

The Department's quality assurance framework has been updated to include guidance on the quality assurance (QA) of analysis in general, with models being a subset, so it is now relevant to a wider scope of work across the Department. The framework remains mandatory and the Department has continued to facilitate compliance including the development and delivery of QA training aimed at non-analysts. Combined with our existing QA training, this provides a more comprehensive package to upskill individuals across the Department on QA. The Quality Assurance Officers' Network has continued to spread ideas and best practice, with the role being strengthened and its scope widened to include QA reviews of high value business cases. The QA work of the Department continues to be supported by the Analytical Function Leadership Group and the Quality Assurance Steering Group to ensure suitable oversight for the planned direction of travel to deliver continued improvements.

We can confirm that the central list of business-critical models (BCMs) within the Department and the ESFA has been updated with new models added and obsolete models removed. This list is held centrally in the Department and includes a detailed description of all the models and evidence of QA via their departmental QA logs. We have also developed and piloted a BCM review panel which takes an in-depth look at riskier BCMs to understand the accompanying QA processes and any areas of risk. These panels, chaired by the Chief Analyst, will run monthly in the Department to improve oversight of BCMs and facilitate sharing and development of best practice.

NDPBs are independent and there is no formal requirement for outputs from NDPBs to be compliant with the QA standards of the Department. Therefore, although we provide help and support to some of them where requested, they are not covered by this assessment. Following on from the NAO's review (Financial modelling in government), there will be a future need for NDPBs to have a QA framework in place and maintain a list of their BCMs. We still intend to understand the QA status of these for each NDPB but have not yet started this due to resource limitations.

Spend regularity

Regularity of spending (such as policy funding and student loan advances), including evidencing the required assurance, continues to be a risk area for the Department.

The Department awards grants to a wide range of organisations who help deliver our priority outcomes across Skills, Schools and Families. New grants issued in the year include Multiply and Homes for Ukraine education and childcare. For large grants, grant managers are encouraged to undertake fraud risk assessments to help design assurance plans and put in place controls to mitigate risk. New or significantly changed grants which are high risk, novel, contentious or repercussive, are also strongly encouraged to attend the Cabinet Office Complex Advice Panel for scrutiny and advice. Mandatory referral to Cabinet Office's panel is required for manifesto commitments and schemes over £100 million in priority areas. This year we have established a small grants centre of excellence to support grant teams at key stages of the grant lifecycle. This has focused on enhancing support for high-risk schemes, improving guidance and support materials available for all grant teams, strengthening the control framework and tailoring our training offer to enhance capability, particularly in the area of regularity assurance.

This year we also improved our data by introducing a new grants register to support enhanced transparency, efficiency and accountability. The register is designed to streamline data collection and access, to improve our pipeline view of upcoming grants and improve the process for reporting to the Cabinet Office.

For the year ahead, we are refreshing our governance arrangements by bringing together a newly configured Grant Management Board, with representation from all key central teams involved in grant management. This will build on progress last year to oversee continuous improvement in our grant management framework, in alignment with the Cabinet Office Functional Standard.

Capital policy spend is delivered through a mix of formula-based grant allocations, general grants and grants delivered within a contract form (grants-in-kind). Formula-based allocations, mostly to LAs, have increased over recent years and make up two-thirds of capital spend. They are self-certified by grant recipients and assured through estate condition and other surveys, and estate management best practise advice. Capital non-formula grants are generally managed through multi-year programmes, with great use made of project managers, site visits, bespoke project tracking systems and construction-expert contractors.

ESFA provides regularity assurance to the Permanent Secretary as the Group's Principal Accounting Officer responsible to Parliament for the Group's spending. The ESFA Head of Assurance's annual report, based upon their full year's programme of work, incorporates their opinion on whether funds have been used by education providers for the purposes intended by Parliament. The Accounting Officer and ARC were regularly updated on progress, risks, emerging findings and issues during the year.

The programme of work includes a wide range of routine planned and responsive activity, including:

- maintaining the accountability framework for academies and FE colleges
- analysis and risk assessment of academy trust, FE college and independent training provider financial data, which underpins our assurance work
- reviews of audited financial statements and governance returns for academy trusts and FE colleges
- reviews of financial health assessments for academy trusts, FE colleges and independent training providers
- funding audits and other assurance reviews of providers and their funding claims

A key assurance risk continues to be in relation to grants paid to LAs. Our assurance approach includes a review of a number of sources of evidence, including audited and draft financial statements, schools' forum minutes, audit committee papers, external and internal audit reports, which allow us to form an overall opinion over the use of funds by local maintained schools and other providers. In recent years, the number of outstanding audited financial statements has increased and this year the trend has continued, with over 80% of all LA audited 2021-22 financial statements outstanding at the point of completing our work. We understand that two of the main reasons for the outstanding financial statements continue to be LAs' finance teams and external auditor capacity issues. This has been exacerbated by an ongoing infrastructure assets accounting issue, unrelated to Group funding, and the impact of Local Government Pension Scheme valuations on delayed accounts. The lack of audited LA financial statements required us to revisit our risk assessment and seek more detailed assurance for those LAs, assessed as presenting an increased risk, considering whether there is a potential assurance gap. We were able to conclude that, overall, funds had been used for the purposes intended, but recognise this will continue to be an area of risk and therefore focus in future years.

The reclassification of FE colleges into the central government sector on 29 November 2022 requires the sector to comply with Managing Public Money (MPM) requirements. This has required an update to our financial framework for colleges including publication of six reclassification bite-size guides, and additional assurance activity covering the period from reclassification. The main areas of additional activity include ensuring that appropriate debt consents are in place for any new or amended college borrowing and colleges have complied with any other MPM transactional requirements. This additional assurance activity will continue in 2023-24 and will be incorporated within our normal assurance activity.

In arriving at an overall assurance opinion, the ESFA Head of Assurance considered the value of funding and their assurance opinions for each funding stream and provider type. Of the three possible opinions (substantial, moderate, or restricted), the ESFA Head of Assurance concluded a substantial assurance opinion for 'business-as-usual' funded activity and a moderate assurance opinion for funded activity for COVID-19 and education recovery grants. We concluded that, in all material respects, providers had applied funds for the purposes intended by Parliament.

Sector delivery contracts

We have incorporated in our policy funding note, spend on contracts which deliver benefits to the education sector and children services sector outside the Department. These are contracts with a supplier to provide goods or services that are delivered directly to schools, pupils or other recipients across the education or children's services sectors. These contracts are awarded using our standard procurement processes and commercial governance arrangements. We have considered how our regularity assurance arrangements should apply to these cases. This year we have surveyed a sample of these contracts to obtain sufficient assurance over independent evidence of delivery and we will continue to embed and strengthen these arrangements next year.

Management of interests and business appointments

The Group's conflicts of interest (CoI) policy is set out clearly on the Department's intranet and is consistent with the Cabinet Office standard policy and underpinned by the principles set out in the Civil Service Code. All Group staff, who are civil servants, are expected to familiarise themselves with the policy and how it applies to their personal circumstances. Non-civil servant Group staff are expected to adhere to the policy as best practice. Conflicts of interest can potentially occur in any situation where an individual or organisation (private or government) can exploit an official role for personal or other benefit. The perception of competing interests, impaired judgement or undue influence can also be a CoI.

The Department clearly states that it is the responsibility of the individual, at any staff grade, to declare any potential conflict at the earliest opportunity. For 2023-24, the Department has brought in new processes to ensure records of SCS CoI are held centrally, in line with updated Cabinet Office policy.

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

The Department had suitable processes in place to identify SCS outside interests and manage potential CoIs. From June 2022, Cabinet Office required all departments to hold a central register of senior civil servants relevant interests. In addition, all declared and agreed details of any paid or otherwise remunerated outside SCS employment are required to be published. For 2022-23, in compliance with Cabinet Office requirements, all SCSs within the Department completed annual declarations of relevant interest. Cabinet Office issued further guidance on departments managing conflicts of interest[40] in April 2023 and the Department plans to publish any applicable information from April 2024.

Special advisers

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

Business appointments

In compliance with business appointment rules, the Department is transparent in the advice given to individual applications for senior staff, including special advisers. To improve transparency the Department publishes advice regarding specific business appointments.[41]

Individuals should discuss with their manager all offers of intended appointments or employment as early as possible and before any commitment or announcement is made. They should then both check the Business Appointment Rules (BAR) to see if the potential future appointment or employment needs approval, completing the business appointment application form, if necessary.

The application is countersigned and reviewed by the relevant HR Business Partner and/or SCS member and may be approved unconditionally, approved with conditions or rejected. For SCS applications, the counter-signing officer will either be the relevant Director General,

40 https://www.gov.uk/government/publications/declaration-and-management-of-outside-interests-in-the-civil-service/declaration-and-management-of-outside-interests-in-the-civil-service
41 https://www.gov.uk/government/publications/dfe-business-appointment-rules-advice

or for SCS3 pay grade staff and special advisers the Permanent Secretary. In broad terms SCS1 refers to Deputy Directors, SCS2 to Directors and SCS3 to Director Generals.

The Department's ARC monitors compliance at quarterly intervals as part of the existing governance processes.

Departmental statistics	SCS1 (or equivalent)	SCS2 (or equivalent)	SCS3 (or equivalent)	Special advisers
Number of SCS exits from the Civil Service	26	12	2	3
Number of BAR applications assessed by the Department over the year	3	4	1	3
Number of BAR applications where conditions were set	3	1	1	1
Number of applications that were found to be unsuitable for the applicant to take up	–	–	–	–
Number of breaches of the rules in the preceding year (2021-22)	–	–	–	–

Government Internal Audit Agency

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

For 2022-23, the GIAA's Departmental Group Chief Internal Auditor provided a Moderate opinion. A Moderate rating states that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

GIAA concluded that Department had maintained an adequate system of governance, risk management and internal control, noting that the control framework continues to develop but more needs to be done to ensure compliance with policy and procedures. Again, technology, security and resilience continue to be areas that need focus.

The distribution of ratings for individual audit reports has improved this year, with no Unsatisfactory reports and fewer (seven) Limited assurance. This compares with ten Limited reports and one Unsatisfactory report in 2021-22. At each meeting, ARC reviews all Limited and Unsatisfactory rated internal audit reports for that period. It also receives quarterly progress reports, including updates on completed and outstanding actions arising from recommendations.

The reports which received a Limited rating are:

Limited assurance

- Cross Government Engagement – Functional Standards
- DfE – Commercial Benefits Management

- DfE – DDaT – Incident Management
- DfE – DDaT – Disaster Recovery
- DfE – DDaT – Azure
- DfE – Supporting Families and Investing in Priorities Programme
- DfE – Apprenticeships – Employer Engagement

Management has acknowledged the findings and conclusions from the Limited assurance reports and has accepted the recommendations as appropriate – agreed actions are all either in progress or completed.

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

NAO reports

Value for money studies

The NAO undertakes around 60 value for money studies[42] each year, which Parliament uses to hold the government to account for how it spends public money. Each study examines an area of government expenditure, and their objective is to form a judgement on whether value for money has been achieved.

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

The NAO published the following value for money reports relating to the Group in 2022-23. All these reports led to Public Accounts Committee evidence sessions.

42 https://www.nao.org.uk/

Report title	NAO summary
Evaluating innovation in children's social care[43] (published June 2022)	The report is a case study of a department's approach to using evaluation within a policy development cycle, covering how it: • designs policy interventions with evaluation in mind • assures the quality of its evaluations • uses the results of evaluation to inform the development of further interventions The report provides a factual account of the Department's oversight and funding of innovation projects, and how it has used evaluation in its policy development process. Our focus is on the role of the Department, given its policy responsibility for children's services.
Developing workforce skills for a strong economy[44] (published July 2022)	NAO examined whether government has an effective approach to enhancing workforce skills. Given its responsibilities for leading government's approach to skills, much of NAO's examination focused on the Department's activities, but NAO's work also took in other departments which play a role in supporting skills development. This report covers: • the workforce skills system • the scale of the skills challenge that government faces • government's understanding of workforce skills needs • how well government is supporting the development of workforce skills
Support for vulnerable adolescents[45] (published November 2022)	NAO examined the information government uses to understand the potential costs to adolescents and society arising from serious adverse outcomes, and how well government bodies are working together to plan and deliver support to vulnerable adolescents who are at serious risk of avoidable adverse outcomes. NAO's report sets out evidence on the complexity of challenges facing vulnerable adolescents, the cumulative impact of adverse outcomes for adolescents and society, and the challenges for government to provide effective support and deliver value for money.
Education recovery in schools in England[46] (published February 2023)	This report examines whether the Department is achieving its objective to help pupils recover lost learning by effectively supporting education recovery in schools following the COVID-19 pandemic. The evaluative criteria that NAO used to assess value for money included: • whether the Department used the available evidence in designing its package of recovery interventions • whether the Department has assurance that funding is being used for the intended purposes • what evidence there is on take-up and whether the interventions are reaching disadvantaged pupils as intended • whether the package of interventions is having an impact in terms of reducing learning loss. NAO's work did not cover early years, education for 16 to 19-year-olds, or further or higher education. The report covers: the design and funding of the recovery package for schools; the main interventions provided to support education recovery; and the recovery package's impact.

43 https://www.nao.org.uk/reports/evaluating-innovation-in-childrens-social-care/
44 https://www.nao.org.uk/reports/developing-workforce-skills-for-a-strong-economy/
45 https://www.nao.org.uk/reports/support-for-vulnerable-adolescents/
46 https://www.nao.org.uk/reports/education-recovery-in-schools-in-england/

As well as the published reports above, the NAO have also started the following studies:

Report title	NAO summary
The condition of school buildings[47] (published June 2023)	This report examines whether the Department is achieving its objective to ensure the school estate contains the safe and well-maintained school buildings that it regards as essential for a high-quality education. The NAO's evaluative criteria for assessing value for money include whether the Department has: • a good understanding of the condition of school buildings • appropriate arrangements to allocate funding for school buildings in line with need • effective ways to support the sector
Environmental sustainability overview of the Department for Education[48] (published June 2023)	Responding to a request by the Environmental Audit Committee, this report will assess the approach taken by the Department to environmental sustainability. It will review the Department's climate change and sustainability strategy and plans to improve the sustainability of the school estate.

Public Accounts Committee

The Public Accounts Committee[49] examines the value for money of government projects, programmes, and service delivery. Drawing on the work of the NAO, the committee holds government officials to account for the economy, efficiency and effectiveness of public spending. As delivery models for public services have changed, so the reach of the committee, in following the taxpayer's pound, has spread beyond government departments to also examine public bodies and private companies providing public services.

The committee works through undertaking a series of inquiries on a range of subjects, the final published reports supported by evidence taken in writing or orally in evidence hearings. Departments are responsible for responding to the recommendations made in a PAC report in a Treasury Minute.

The table below presents the Public Accounts Committee hearings I attended on behalf of the Department during the reporting period, and a link to the government's Treasury Minute responses if finalised:

47 https://www.nao.org.uk/work-in-progress/the-condition-of-school-buildings/
48 https://www.nao.org.uk/work-in-progress/environmental-sustainability-overview-of-the-department-for-education/
49 https://www.parliament.uk/business/committees/Committees-A-Z/commons-select/public-accounts-committee/

Inquiry and hearing dates	Government response
Financial sustainability of the higher education sector in England[50] hearing – 21 March 2022 report published – 15 June 2022	Response published – 2 September 2022
DfE recall: SEND review Schools White Paper and the National Tuition Programme[51] hearing – 11 May 2022 report published – unpublished	Response published – 5 August 2022
Evaluating innovation projects in children's social care[52] hearing – 8 September 2022 report published – 23 November 2022	Response published – 24 February 2023
Developing workforce skills for a strong economy[53] hearing – 17 October 2022 report published – 14 December 2022	Response published – 24 February 2023
Supporting vulnerable adolescents[54] hearing – 21 November 2022 report published – 22 February 2023	Response published – 22 April 2023
Education recovery in schools[55] hearing – 9 March 2023 report published – unpublished	Response to be published

Corporate governance code

The Department has complied with HMT's and the Cabinet Office's Corporate governance in central government departments: code of good practice.

The Board met six times during the financial year. To manage any conflicts of interest, the Department maintains a register of board member interests. Board members are required to declare any potential conflicts that arise.

Where a potential conflict is identified, board members are not involved in discussions or decisions on the matter in question. The code of good practice states that a formal evaluation of the Board's performance should take place annually. A board effectiveness evaluation was undertaken during the financial year and key recommendations including the more frequent meeting of the Board have been implemented. An assessment of the board's effectiveness is set out in the report from the Lead Non-executive Board Member on page 31.

50 https://committees.parliament.uk/work/6435/financial-sustainability-of-the-higher-education-sector-in-england/
51 https://committees.parliament.uk/work/6675/dfe-recall-send-review-schools-white-paper-and-the-national-tuition-programme/
52 https://committees.parliament.uk/work/6882/evaluating-innovation-projects-in-childrens-social-care/
53 https://committees.parliament.uk/work/6905/developing-workforce-skills-for-a-strong-economy/
54 https://committees.parliament.uk/work/6949/supporting-vulnerable-adolescents/
55 https://committees.parliament.uk/work/7229/education-recovery-in-schools/

The Department worked to minimise the impact of the changes in its ministerial team (including Secretaries of State) on the corporate governance. I am pleased to report that, despite changes to our ministerial team, we held six Board meetings, ensuring sufficient scrutiny of the Department's activities could be carried out without significant disruption.

The Board and its committees have management information covering a variety of disciplines. This includes financial and workforce data, indicators of progress against the Department's priorities and information on risk. The provision of this data has improved throughout the financial year with the implementation of the new performance reporting dashboard, which enabled the Board and its relevant sub-committees to review up to date data prior to and during meetings.

Richard Pennycook and I, in discussion with the Cabinet Office, the Board Secretariat, and following approval of the Secretary of State, retired the Implementation Committee in July 2022. It was agreed that with the increased frequency of Board meetings (from four to eight per year, from September 2021 at the request of the then Secretary of State), the Committee's primary responsibility (to scrutinise the Department's performance and delivery) is now covered during Board meetings. The Board, therefore, regularly receives updates from major projects and performance colleagues to ensure that the Department's delivery function continues to operate with the necessary scrutiny.

During this period, the Department parted ways with Mike Green as Chief Operating Officer and Director General of Operations and Infrastructure Group, who after ten years in the Department took up a new role elsewhere in government. Iain King, previously Director of Operational Finance, undertook the interim role until November 2022. Jane Cunliffe has since taken up the role, chairing the Investment Committee, and attending the ARC, the Digital, Data, and Technology Committee, and the Performance and Risk Committee.

As required by the code the terms of reference for ARC[56] are publicly available.

Conclusion

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

Susan Acland-Hood
Accounting Officer
13 July 2023

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

Remuneration and staff report

Overview

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

Remuneration report part A: unaudited

Ministers' and other board members' remuneration policy

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

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

SCS pay is decided by the SCS Remuneration Committee, chaired by the Permanent Secretary, and comprising members of the Leadership Team. The SCS Remuneration Committee makes decisions within the limits and delegated authorities set by the government in response to the annual report of the SSRB, who publish additional information.[57]

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

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

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

All board members' contractual terms comply with the requirements set centrally for the SCS by Cabinet Office, and the exact terms offered reflect the requirement of the post. The principles governing recruitment to, and departure from, the Civil Service, including details of compensation for early termination, are set out in the Civil Service Management Code.[58]

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

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

Termination benefits are based on length of service and capped at six months' salary. If a special adviser returns to work for HM Government following the receipt of a severance payment, the payment is required to be repaid, less a deduction in lieu of wages for the period until their return. Termination costs for special advisers are reported in the Cabinet Office's ARA.

Service contracts

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

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

Further information about the work of the Civil Service Commission can be found at their website.[59]

59 https://www.civilservicecommission.org.uk/

Remuneration report part B: audited

Remuneration (including salary) and pension entitlements

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

Where members joined or left the Board during the year, annualised remuneration is presented in italics. Where ministers changed roles during the year, and subsequently left before the year end, annualised disclosures are based on their final role.

Ministers

				2022-23
	Salary	**Severance payments**	**Pension benefits**	**Total**
	£	**£**	**to nearest £1,000**	**to nearest £1,000**
Secretaries of State				
Rt Hon Nadhim Zahawi MP to 5 July 2022 annualised value	22,502 *(67,505)*	–	4,000	27,000
Rt Hon Michelle Donelan MP to 7 July 2022 annualised value	9,048 *(67,505)*	–	2,000	11,000
Rt Hon James Cleverly MP from 7 July 2022 to 6 September 2022 annualised value	13,562 *(67,505)*	–	3,000	16,000
Rt Hon Kit Malthouse MP from 6 September 2022 to 25 October 2022 annualised value	4,355 *(67,505)*	16,876	3,000	24,000
Rt Hon Gillian Keegan MP from 25 October 2022 annualised value	28,976 *(67,505)*	–	7,000	36,000
Ministers of State				
Robin Walker MP to 6 July 2022 annualised value	8,431 *(31,680)*	7,920	2,000	18,000
Kelly Tolhurst MP from 7 September 2022 to 27 October 2022 annualised value	2,129 *(31,680)*	7,920	1,000	11,000
Will Quince MP to 7 September 2022 annualised value	13,707 *(31,680)*	–	3,000	16,000
Rt Hon Nick Gibb MP from 26 October 2022 annualised value	13,711 *(31,680)*	–	3,000	17,000
Rt Hon Robert Halfon MP from 26 October 2022 annualised value	13,711 *(31,680)*	–	3,000	17,000

				2022-23
	Salary	Severance payments	Pension benefits	Total
	£	£	to nearest £1,000	to nearest £1,000
Parliamentary Under Secretaries of State				
Alex Burghart MP to 6 July 2022 annualised value	5,955 *(22,375)*	5,593	1,000	13,000
Baroness Barran	–	–	–	–
Andrea Jenkyns MP from 8 July 2022 to 27 October 2022 annualised value	5,581 *(22,375)*	5,593	2,000	13,000
Brendan Clarke-Smith MP from 8 July 2022 to 7 September 2022 annualised value	5,173 *(22,375)*	–	1,000	6,000
Jonathan Gullis MP from 7 September 2022 to 28 October 2022 annualised value	2,993 *(22,375)*	5,593	1,000	10,000
Claire Coutinho MP from 27 October 2022 annualised value	9,323 *(22,375)*	–	2,000	12,000

				2021-22
	Salary	Severance payments	Pension benefits	Total
	£	£	to nearest £1,000	to nearest £1,000
Secretaries of State				
Rt Hon Sir Gavin Williamson CBE MP to 15 September 2021 annualised value	30,752 *(67,505)*	16,876	7,000	54,000
Rt Hon Nadhim Zahawi MP from 15 September 2021 annualised value	33,753 *(67,505)*	–	10,000	44,000
Ministers of State				
Rt Hon Nick Gibb MP to 16 September 2021 annualised value	14,432 *(31,680)*	7,920	3,000	25,000
Robin Walker MP from 16 September 2021 annualised value	15,840 *(31,680)*	–	4,000	20,000
Rt Hon Michelle Donelan MP	31,680	–	8,000	40,000
Parliamentary Under Secretaries of State				
Rt Hon Gillian Keegan MP to 16 September 2021 annualised value	11,188 *(22,375)*	–	3,000	14,000
Alex Burghart MP from 16 September 2021 annualised value	11,187 *(22,375)*	–	3,000	14,000
Vicky Ford MP to 16 September 2021 annualised value	11,188 *(22,375)*	–	3,000	14,000
Will Quince MP from 16 September 2021 annualised value	11,187 *(22,375)*	–	3,000	14,000
Baroness Berridge to 17 September 2021 annualised value	32,725 *(70,969)*	17,742	9,000	60,000
Baroness Barran from 17 September 2021	–	–	–	–

Salary costs reported for ministers above reflect the pay received for their period of appointment as a department minister. Where ministers move departments in month, the originating department will pay the full month's salary. Rt Hon Michelle Donelan MP waived her severance pay on her departure as Secretary of State.

Baroness Barran did not receive remuneration for her position.

No benefits-in-kind were paid to minsters during 2022-23 (2021-22: £nil).

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

Please note that the SCAPE (superannuation contributions adjusted for past experience) rate is being changed. This impacts the CETV factors used when calculating the ministerial pension figures. As the revised factors have not yet been produced, we used the existing factors in order to produce this year's figures. The expected impact of the impending change to the CETV basis at this late stage will be higher CETV-related values.

Officials

Where members joined or left the Board during the year, annualised remuneration is presented in italics. Where officials changed roles during the year, and subsequently left before the year end, annualised disclosures are based on their final role.

					2022-23
	Salary	**Bonus payment**	**Benefits-in-kind**	**Pension benefits**	**Total**
	£000	**£000**	**to nearest £100**	**to nearest £1,000**	**£000**
Permanent Secretary					
Susan Acland-Hood	160-165	–	–	(21)	140-145
Directors General					
Indra Morris	140-145	10-15	–	–	155-160
Mike Green					
to 14 April 2022	5-10	0-5	1,100	2	10-15
annualised value	*(155-160)*				
Iain King					
from 15 April 2022 to 27 November 2022	85-90	–	100	30	115-120
annualised value	*(125-130)*				
Jane Cunliffe					
from 28 November 2022	45-50	0-5	–	45	95-100
annualised value	*(130-135)*				
Julia Kinniburgh					
from 1 April 2022 to 5 December 2022	90-95	20-25	–	9	125-130
annualised value	*(140-145)*				
Graham Archer					
from 5 December 2022 to 27 March 2023	40-45	5-10	–	79	130-135
annualised value	*(120-125)*				
Tony Foot	105-110	5-10	–	7	120-125

					2021-22
	Salary	Bonus payment	Benefits-in-kind	Pension benefits	Total
	£000	£000	to nearest £100	to nearest £1,000	£000
Permanent Secretary					
Susan Acland-Hood	160-165	–	–	88	250-255
Directors General					
Indra Morris	135-140	–	–	14	150-155
Mike Green	155-160	–	8,900	61	225-230
Directors					
Tony Foot	105-110	5-10	–	56	170-175

Tony Foot's 2022-23 disclosures cover the whole year split between two disclosable roles: Joint Chief Financial Officer and Strategic Finance Director to 27 March 2023, and Director General Strategy Group from 28 March 2023. Julia Kinniburgh's disclosed remuneration above is for her period as Director General Strategy Group and does not include her remuneration as Director General Skills Group. Since Julia was in post as a Director General for the whole year across two business groups, the annualised value represents her actual remuneration for the year.

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

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

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in 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 £84,144 (from 1 April 2022) 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.

Benefits-in-kind

The monetary value of benefits-in-kind covers any benefits provided by the Department and treated by HMRC as a taxable emolument.

No non-executive board members received benefits-in-kind in 2022-23 (2021-22: nil).

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2022-23 relate to performance in 2022-23 and the comparative bonuses reported for 2021-22 relate to the performance in 2021-22.

The Department awards bonuses as part of the performance management process. The Department sees effective performance management as key to driving up individual and organisational performance and providing greater value for money to deliver high-quality public services. The Department follows the performance management arrangements for the SCS, and the Department's performance management framework for managing and rewarding performance throughout the year.

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce. The disclosures here cover staff at the Department and its three Agencies.

The banded remuneration of the highest-paid director in the Department in the financial year 2022-23 was £170,000-£175,000 (2021-22: £165,000-£170,000). This was 4.0 (2021-22: 4.1 times) the median remuneration of the workforce, which was £42,705 (2021-22: £40,778).

In 2022-23, no employees (2021-22: nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £19,000-£175,000 (2021-22: £18,000-£170,000).

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

		2022-23		2021-22
	Salary and allowances	Total pay and benefits	Salary and allowances	Total pay and benefits
	£	£	£	£
Band of highest paid director (£000)	140-145	170-175	155-160	165-170
Range (£000)	18-145	19-175	18-160	18-170
Upper quartile	55,022	55,767	53,419	53,541
Median	41,435	42,705	40,228	40,778
Lower quartile	33,952	34,776	30,862	31,858
	Ratio	**Ratio**	**Ratio**	**Ratio**
Upper quartile	2.6:1	3.1:1	2.9:1	3.1:1
Median	3.4:1	4.0:1	3.9:1	4.1:1
Lower quartile	4.2:1	5.0:1	5.1:1	5.3:1

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

	2022-23		2021-22	
	Highest paid director	Staff average	Highest paid director	Staff average
	% change	% change	% change	% change
Salary and allowances	(9.5%)	4.0%	–	1.3%
Bonuses	100%	16.0%	(100.0%)	5.8%

The highest paid director received no bonus in 2021-22 but did receive a bonus this year which is why the annual movements are so large.

There has been no significant change to the remuneration of the highest paid director and no significant changes to pay policies for staff across the Department and Agencies in the year. In addition, there has been no significant change to employment models across the Department and Agencies for terms and location. The movement in staff numbers and in grade mix has driven the change in quartile values shown above, which in turn improved the multiples due to a relatively fixed highest paid director denominator. Accordingly, we consider the median pay ratios are consistent with the pay, reward and progression policies for employees taken as a whole.

Non-executives

Seven of the non-executive board members received remuneration from the Department. Ian Ferguson did not receive remuneration for his position.

Where non-executive members joined or left the Board during the year, annualised remuneration is presented below in italics.

	2022-23	2021-22
	£	£
Richard Pennycook	20,000	20,000
Ian Ferguson to 16 June 2022 annualised value	 – *(–)*	 –
Toby Peyton-Jones	15,000	15,000
Nick Timothy to 16 June 2022 annualised value	 3,750 *(15,000)*	 15,000
Stuart McMinnies from 31 May 2022 annualised value	 14,250 *(15,000)*	 –
Sir Peter Bazalgette from 31 May 2022 annualised value	 11,250 *(15,000)*	 –
Jack Boyer from 31 May 2022 annualised value	 11,250 *(15,000)*	–
Suzy Levy from 31 May 2022 annualised value	 11,250 *(15,000)*	–
Baroness Ruby McGregor-Smith to 31 December 2021 annualised value	 –	 12,500 *(15,000)*
Dame Irene Lucas-Hays to 31 January 2022 annualised value	 –	 11,250 *(15,000)*

Ministerial pensions

	Accrued pension at age 65 as at 31/3/23	Real increase in pension at age 65	CETV at 31/3/23	CETV at 31/3/22	Real increase in CETV
	£000	£000	£000	£000	£000
Secretaries of State					
Rt Hon Nadhim Zahawi MP	0-5	0-2.5	15	10	2
Rt Hon Michelle Donelan MP	0-5	0-2.5	19	16	–
Rt Hon James Cleverly MP	0-5	0-2.5	25	21	1
Rt Hon Kit Malthouse MP	0-5	0-2.5	45	41	2
Rt Hon Gillian Keegan MP	0-5	0-2.5	27	18	4
Ministers of State					
Rt Hon Nick Gibb MP	5-10	0-2.5	145	135	3
Robin Walker MP	0-5	0-2.5	32	29	1
Will Quince MP	0-5	0-2.5	14	12	1
Kelly Tolhurst MP	0-5	0-2.5	16	15	1
Baroness Barran	–	–	–	–	–
Rt Hon Robert Halfon MP	0-5	0-2.5	12	8	2
Parliamentary Under Secretaries of State					
Alex Burghart MP	0-5	0-2.5	3	2	–
Andrea Jenkyns MP	0-5	0-2.5	5	3	1
Brendan Clarke-Smith MP	0-5	0-2.5	1	–	–
Jonathan Gullis MP	0-5	0-2.5	1	–	–
Claire Coutinho MP	0-5	0-2.5	2	–	1

The cash equivalent transfer value (CETV) values presented above are as at the date ministers either joined or left the Department.

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the Ministers' etc. Pension Scheme 2015.[60]

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

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

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

60 https://www.mypcpfpension.co.uk/

Officials

	Accrued pension at pension age as at 31/3/23 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/23	CETV at 31/3/22	Real increase in CETV
	£000	£000	£000	£000	£000
Permanent Secretary					
Susan Acland-Hood	65-70	–	900	834	(35)*
Directors General					
Indra Morris	–	–	–	10	–
Mike Green	35-40	0-2.5	523	511	2
Iain King	20-25	0-2.5	245	–	12
Jane Cunliffe	30-35	0-2.5	433	–	27
Julia Kinniburgh	55-60 plus a lump sum of 35-40	0-2.5 plus a lump sum of 0	922	–	(4)*
Graham Archer	50-55 plus a lump sum of 140-145	2.5-5 plus a lump sum of 7.5-10	1,235	–	77
Tony Foot	35-40 plus a lump sum of 55-60	0-2.5 plus a lump sum of 0	510	463	(9)*

*Taking account of inflation, the CETV funded by the employer has decreased in real terms.

Indra Morris ceased membership of the pension scheme in the year. Since Indra's membership was for less than two years she didn't retain any benefits in the scheme.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements.[61] From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme, or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's state pension age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with pensions increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were

61 www.civilservicepensionscheme.org.uk/

introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the cash equivalent transfer values shown in this report – see below). All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is an occupational defined pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Cash equivalent transfer values

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HMT published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

Real increase in CETV

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

Payments to past directors

No payments have been made to former directors of the Department in 2022-23 (2021-22: £nil).

Staff report part A: audited

Staff costs

				2022-23	2021-22
				Group	Group
	Permanently employed staff	Other	Ministers	Total	Total
	£000	£000	£000	£000	£000
Wages and salaries	566,276	35,581	208	602,135	533,508
Social security costs	64,434	(46)	64	64,452	65,826
Pension costs	129,570	–	18	129,588	119,368
	760,280	**35,605**	**290**	**796,175**	**718,702**
Less:					
recoveries in respect of outward secondments	(1,296)	–	–	(1,296)	(1,021)
capitalised staff costs	(32,547)	–	–	(32,547)	(28,153)
	726,437	**35,605**	**290**	**762,332**	**689,528**
Of which:					
Department & Agencies	492,994	30,751	290	524,035	473,589
NDPBs	233,443	4,854	–	238,297	215,939
	726,437	**35,605**	**290**	**762,332**	**656,491**

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

Average number of persons employed

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

				2022-23	2021-22
				Group	Group
	Permanently employed staff	Other	Ministers	Total	Total
	Number	Number	Number	Number	Number
Department	6,739	104	4	6,847	6,176
Agencies	1,339	2	-	1,341	1,996
NDPBs	4,921	55	-	4,976	4,790
	12,999	**161**	**4**	**13,164**	**12,962**

As well as the staff disclosed above the Department also had three special advisors (2021-22: 3). Since special adviser staff costs are borne by Cabinet Office, their costs are not included in the staff costs table above, their staff numbers are removed from the table above to be consistent.

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

Pension schemes

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

Civil Service pensions

The PCSPS and the Civil Servant and Other Pension Scheme (CSOPS), known as alpha, are unfunded multi-employer defined benefit schemes, but the Department is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2016. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation.[62]

For 2022-23, Department and Agencies employers' contributions of £97.9 million (2021-22: £91.5 million) were payable to the PCSPS and CSOPS at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands. It is estimated that employer contributions for 2023-24 will be £92.1 million (2022-23: £96.1 million).

The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2021-22 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

62 https://www.civilservicepensionscheme.org.uk/knowledge-centre/resources/resource-accounts/

Partnership pension accounts

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. In 2022-23, Department and Agencies employers' contributions of £581,000 (2021-22: £532,000) were paid to the appointed stakeholder pension provider. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015, and from 8% to 14.75% of pensionable earning from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings. In addition, Department and Agencies employer contributions of £23,000 (2021-22: £20,000), 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015, were payable to the PCSPS and CSOPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the year end were £70,000 (2021-22: £34,000). Contributions prepaid at that date were £nil (2021-22: £nil).

Reporting of Civil Service and other compensation schemes

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

- employees who agreed to leave during the year and left by 31 March 2023
- employees who have committed to leave by 31 March 2023, for whom the exit packages have been accrued

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

Department and Agencies

			2022-23			2021-22
Exit package cost band	Compulsory redundancies	Other departures agreed	Total exit packages	Compulsory redundancies	Other departures agreed	Total exit packages
	Number	Number	Number	Number	Number	Number
<£10,000	2	13	15	1	2	3
£10,001-£25,000	–	53	53	1	7	8
£25,001-£50,000	–	80	80	–	–	–
£50,001-£100,000	–	210	210	–	–	–
Total number of exit packages	**2**	**356**	**358**	**2**	**9**	**11**
Total costs (£000)	**8**	**19,659**	**19,667**	**20**	**122**	**142**

Group

			2022-23			2021-22
Exit package cost band	Compulsory redundancies	Other departures agreed	Total exit packages	Compulsory redundancies	Other departures agreed	Total exit packages
	Number	Number	Number	Number	Number	Number
<£10,000	7	13	20	4	2	6
£10,001-£25,000	6	55	61	11	7	18
£25,001-£50,000	6	82	88	9	–	9
£50,001-£100,000	3	212	215	3	–	3
£100,001-£150,000	–	–	–	–	1	1
Total number of exit packages	**22**	**362**	**384**	**27**	**10**	**37**
Total costs (£000)	**566**	**19,813**	**20,379**	**704**	**240**	**944**

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

Ill-health retirement costs are met by the pension scheme and are not included in the table. Five people (2021-22: one person) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £35,000 (2021-22: £1,000).

During the year the Department and its Agencies ran a voluntary exit scheme. Under the applicable accounting standard, the costs for this are shown in 2022-23 as the departures were agreed in March 2023, with the staff exiting the organisation/group by 31 May 2023.

Staff report part B: unaudited

Staff by grade and gender

The charts below cover permanent staff as at 31 March 2023, based on headcount. The disclosures have been calculated using data received from the Department (including European school teachers), Agencies and NDPBs. For non-Civil Servants employed in NDPBs local grades have been mapped to Civil Service staff grades.

				2022-23
		Department & Agencies		Group
	Male	Female	Male	Female
	Number	**Number**	**Number**	**Number**
Permanent Secretary	–	1	–	1
Director General	3	3	6	3
Director	16	33	26	46
Deputy Director	94	119	146	156
Non-SCS	3,144	4,733	5,274	7,378
	3,257	**4,889**	**5,452**	**7,584**

				2021-22
		Department & Agencies		Group
	Male	Female	Male	Female
	Number	**Number**	**Number**	**Number**
Permanent Secretary	–	1	–	1
Director General	3	2	4	2
Director	21	29	38	47
Deputy Director	90	123	152	170
Non-SCS	3,305	4,876	5,415	7,550
	3,419	**5,031**	**5,609**	**7,770**

Number of senior civil servants by salary band

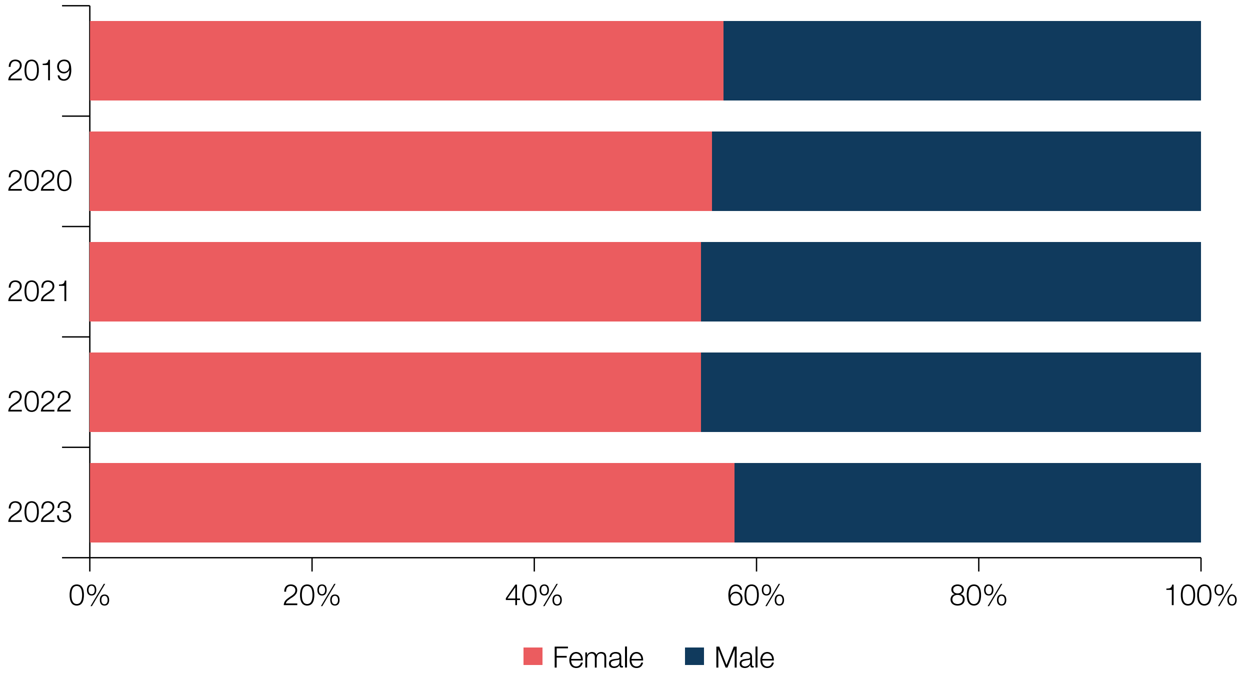
The table below shows the number of full-time senior civil servants by salary bands for the Department and Agencies consolidation level as at the year end. Salary ranges represent basic salary and allowances but exclude bonuses.

Salary range	2023	2022
	Number	**Number**
£60,001 – £65,000	1	–
£65,001 – £70,000	–	–
£70,001 – £75,000	56	139
£75,001 – £80,000	113	40
£80,001 – £85,000	16	10
£85,001 – £90,000	7	7
£90,001 – £95,000	20	28
£95,001 – £100,000	22	11
£100,001 – £105,000	12	9
£105,001 – £110,000	3	4
£110,001 – £115,000	–	3
£115,001 – £120,000	5	2
£120,001 – £125,000	3	5
£125,001 – £130,000	2	1
£130,001 – £135,000	2	1
£135,001 – £140,000	–	5
£140,001 – £145,000	5	2
£145,001 – £150,000	1	–
£150,001 – £155,000	–	–
£155,001 – £160,000	–	1
£160,001 – £165,000	1	1
	269	**269**

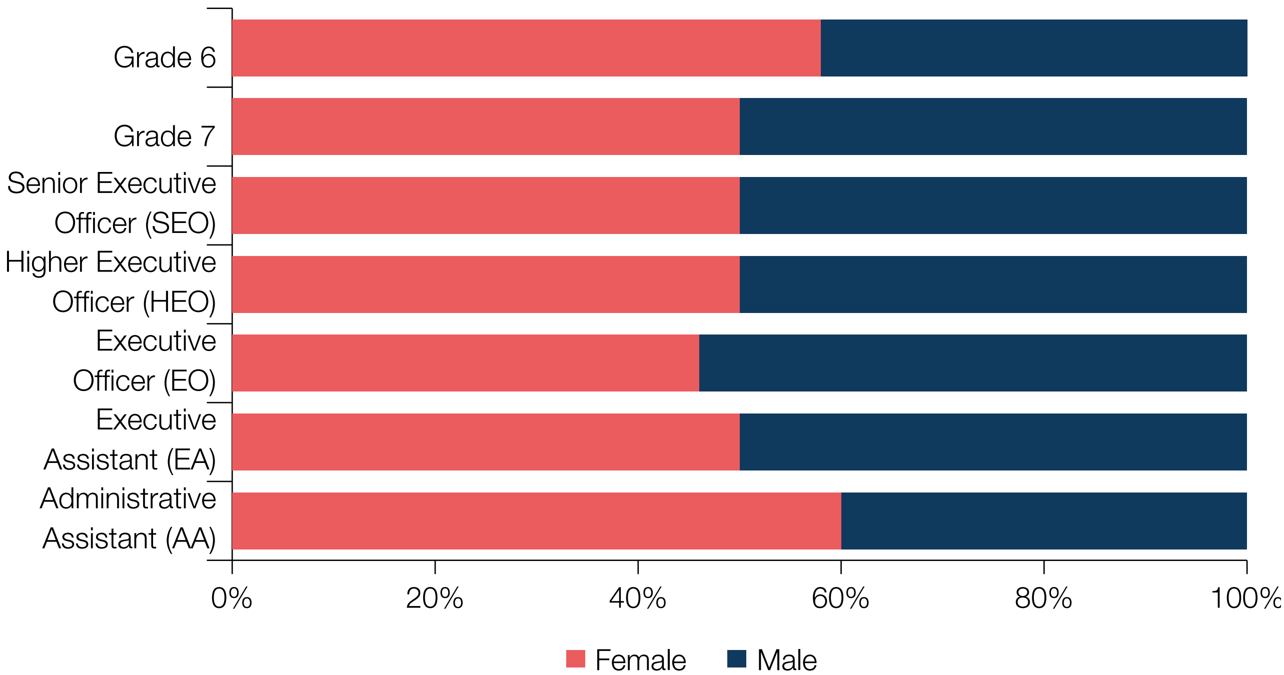
2022-23 workforce information

The following tables present workforce information across the Group and Department & Agencies consolidation levels as indicated. The data has been compiled from year end head count values not FTE, so will differ from the average FTE values disclosed in part A.

Gender across the Group



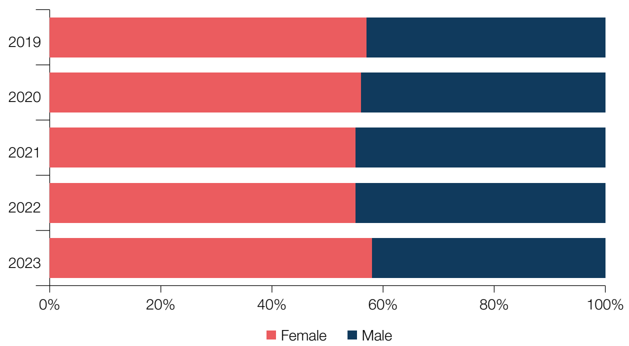
2022-23 Group non-SCS staff split by gender



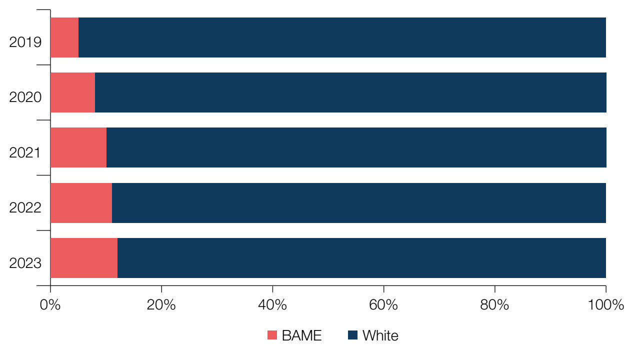
Addressing under-representation

The diversity and inclusion strategy introduced specific targets for the representation of BAME and disabled staff in the SCS for the first time. The targets, which have been agreed with Cabinet Office, are 12% and 13% for disabled and BAME staff respectively by 2023. The graphs below present the last five years' performance, all values for Department and Agency SCS staff only.

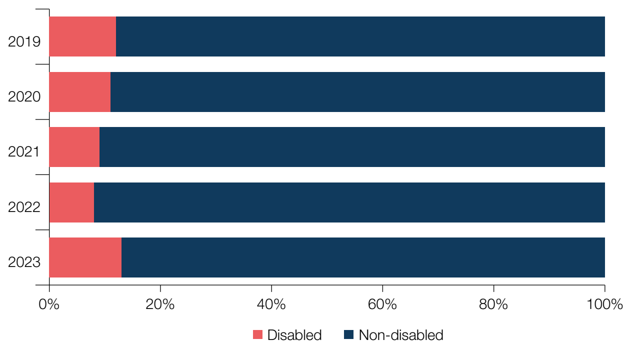
SCS gender



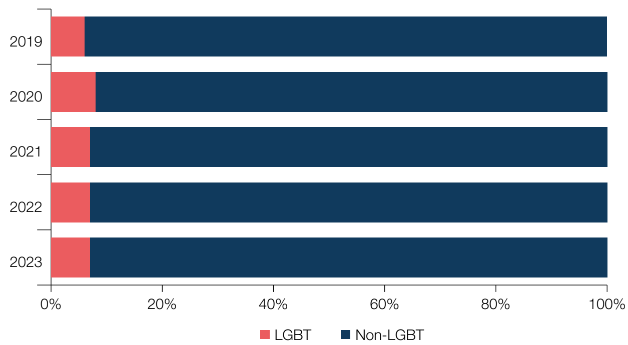
SCS ethnicity



SCS disability



SCS sexual orientation



Analysis of staff policies and statistics

Our people

Recruitment practice

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

Sickness absence

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

	2022-23	2021-22	2020-21	2019-20	2018-19
Days per FTE	5.4	5.6	4.7	3.9	4.0

The figure above compares well with figures across the Civil Service, which were 7.9 average working days lost per full time equivalents (FTE) in the year ending 31 March 2022 which is the most recently published information.[63]

Staff turnover

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

	2022-23	2021-22	2020-21	2019-20	2018-19
Civil Service turnover	5%	5%	5%	6%	4%
Departmental turnover	11%	11%	8%	9%	7%

The Departmental turnover has remained the same as the prior year. Departmental turnover is defined as those leaving for another government department as well as those leaving the civil service altogether. Most employees leave to transfer to another government department, which causes the gap in the figures above.

Commitment to improving diversity

We have continued to make steady progress on diversity in the Department. We have seen increases in our workforce representation, to 19.5% for those from a minority ethnic background, 13.4% for disability and 7.7% for LGBO, as at the last day of Q3 2022-23. We continue to work towards achieving our SCS workforce representation targets for disability and staff from a minority ethnic background.

In June 2022 we launched the new Diversity and Inclusion Strategy 2022-26, with a vision to create an inclusive department, which nurtures talent and reflects the ever-increasing diversity of our department, mirroring the country we serve. The strategy has commitments and actions against three aims: to build a diverse department, an inclusive department and a Department which realises potential in all.

We continue to be transparent with diversity data, publishing a quarterly diversity and inclusivity data dashboard to the department, using data to support decision making and

63 https://www.gov.uk/government/publications/civil-service-sickness-absence-2022/civil-service-sickness-absence-2022-report

accountability. Alongside other characteristics, this dashboard includes data to support us to measure socio-economic background to progress work on social mobility.

Staff policies for disabled persons

The Department's recruitment policies guarantee an interview to any candidate applying under the Disability Confident Scheme who demonstrates that they meet the minimum standard required for the role. This applies even if the pass mark is raised in response to a large volume of applications.

During the application process, candidates are also asked if they require any reasonable adjustments to help them to perform their best at interview (ie more time to answer questions, or access to view the questions as they are being asked). We now add a 'reasonable adjustment guide' to our vacancies to provide candidates with more information on the support we can provide.

The Department's attendance management policy allows managers to adjust the trigger point for formal action to allow for higher levels of absence due to a disability or long-term health condition.

We also offer disability leave. This enables employees with a disability to take reasonable time off work to go for occupational rehabilitation, assessment or treatment, or while they are waiting for a reasonable adjustment to be put in place. The Department's performance management policy covers all employees.

This involves employees and their managers discussing and agreeing objectives and development needs at the start of the reporting year and holding monthly 'check-ins' to:

- review performance against agreed objectives
- recognise achievements
- discuss learning and development needs
- wellbeing and career conversations

The workplace adjustments policy provides guidance to employees and managers on having open conversations about disabilities and health conditions (including non-visible conditions such as neurodivergence and mental ill-health). The policy also covers workplace adjustments and how these can be arranged. Online learning on workplace adjustments is also available.

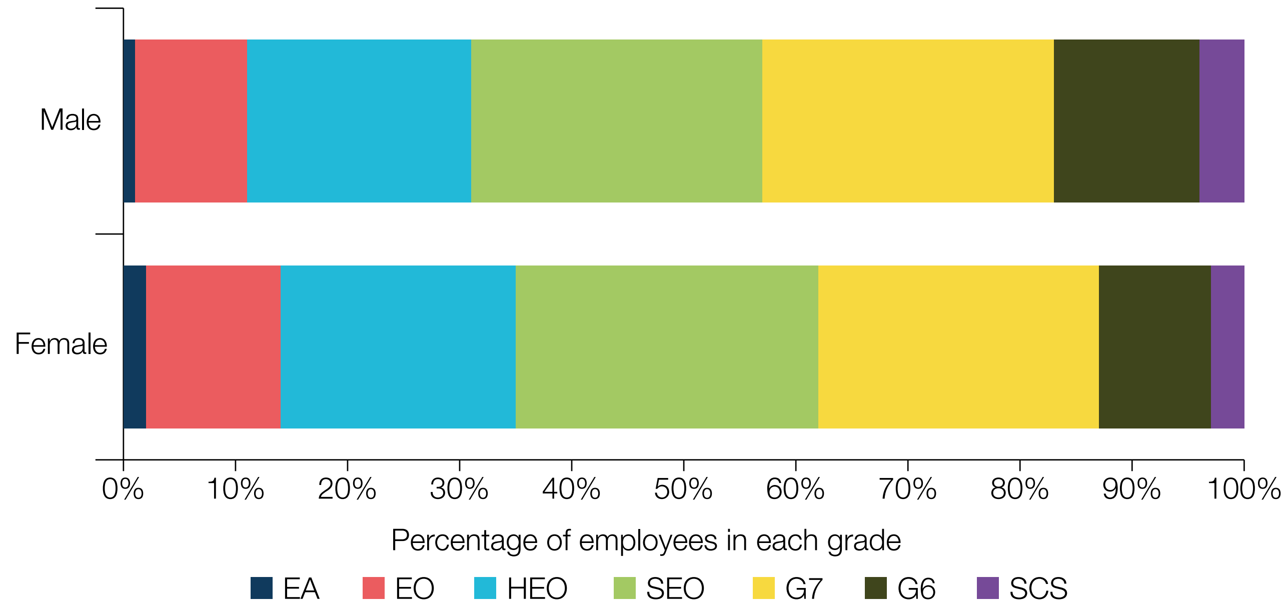
The Department ringfences a proportion of the available places on the Beyond Boundaries cross-government development programme specifically for disabled employees.

In addition, the Department offers the Power of Choice programme, which aims to support and accelerate the development and capability of high potential G6/7s who identify as having a disability (hidden or visible) and/or are neurodivergent. Feedback from both the participants and their managers who have participated in the programme to date has been extremely positive.

Gender pay gap reporting

We now have the fourth lowest gender pay gap across Whitehall. The Department's median gender pay gap as at March 2022 was 4.9% (2021: 4.0%) the latest date of available data. Our analysis has identified that over-representation of females in more junior grades is likely to be a significant contributor to the remaining pay gap. The 2022 graph below shows that whilst both the median male and female salary continue to be within the SEO pay band, the higher proportion of women in EA to HEO grades means the overall female median is closer to the middle of the SEO distribution for females while the median male's pay is closer to the top end of the SEO distribution for males. The figure for 2023 is not available at the time of publication and will be included in the Group's 2023-24 ARA.

March 2022 grade breakdown by gender



Engagement with employees

The Department conducts a full People Survey annually, with the results published each December.

	2022-23	2021-22	2020-21	2019-20	2018-19
Response rate	88%	90%	91%	91%	91%
Engagement index	61%	69%	69%	69%	65%

The information from the survey is being used to support development of the Department's strategies and continually improve our levels of employee engagement.

The Department launched the strategic workforce plan in May 2022. Our vision for the future is to create a workforce with world class skills and capabilities, which is flexible and makes the best use of excellent talent by supporting increased diversity and social mobility as well as ensuring colleagues have well-defined development plans, and that clear career paths are set out for all those who want to progress and develop their expertise. The strategic workforce plan is aligned to the Government Reform Agenda and clearly articulates the ambitions for the future workforce.

Consultancy and temporary staff

Consultants are hired to work on projects in a number of specific situations:

- where the Group does not have the required skill sets
- where the requirement falls outside the core business of civil servants
- where an external, independent perspective is required

When used appropriately, consultancy can be a cost effective and efficient way of getting the temporary and skilled external input that the Group needs.

We are committed to the consistent application of the Cabinet Office's 2010 controls on consultancy and other spending.[64] The Cabinet Office's definition of consultancy is 'the provision to management of objective advice relating to strategy, structure, management or operations of an organisation'. Such advice will be provided outside the business-as-usual environment when in-house skills are not available and will be time-limited. Consultancy often includes the identification of options with recommendations, or assistance with the implementation of solutions but typically not the delivery of business-as-usual activity.

For the Department and its Agencies, spend on consultancy requires completion of a business case which is signed off by a SCS. Consultancy engagements below £10,000 are functionally and directorate cleared by the Deputy Director with budget/delivery responsibility. Engagements between £10,000 and £20,000 are scrutinised and reviewed functionally by Finance, Commercial, and cleared by the Deputy Director with budget/delivery responsibility. In addition, such cases are reviewed in light of the efficiency controls within the Department's Commercial Governance process. For engagements over £20,000, the same process as for £10,000 to £20,000 engagements is followed but with additional scrutiny and clearance by the minister with policy responsibility. Consultancy engagements over £10 million apply similar controls with efficiency control clearance being applied by a member of the Commercial Senior Leadership team and ministerial clearance is applied from a minister with policy responsibility. Cabinet Office approval is also required for expenditure proposals of £10 million or over. If these cases are also expected to last more than nine months, or are for procurement related consultancy, they are subject to Cabinet Office controls.

The Group's consultancy expenditure was as follows:

	2022-23	2021-22	2020-21	2019-20	2018-19
	£m	£m	£m	£m	£m
Department	5.0	6.6	7.2	12.7	12.0
Agencies	0.4	0.6	0.7	–	1.1
NDPBs	1.2	0.5	0.8	-	–
	6.6	**7.7**	**8.7**	**12.7**	**13.1**

64 https://www.gov.uk/government/publications/cabinet-office-controls

This expertise was mainly used to support change programmes across the Group and specialist research contracted out to third parties.

The Group has contracts for the engagement of staff and specialist contractors to cover short-term requirements such as covering unexpected absences, short-term peaks in workload, short-term projects or a permanent vacancy until the vacancy can be filled. In recent years, where possible, these vacancies have been covered using existing employees, reducing the Group's expenditure on consultancy. Use of contingent labour is also subject to the efficiency controls process and requires ministerial approval for recruitment to SCS equivalent grades, and Director General approval for grades below this.

Contingent labour expenditure was as follows:

	2022-23	2021-22	2020-21	2019-20	2018-19
	£m	**£m**	**£m**	**£m**	**£m**
Department	21.5	26.3	20.9	8.1	43.0
Agencies	–	0.4	0.7	0.6	0.8
NDPBs	–	4.5	10.9	22.1	13.1
	21.5	**31.2**	**32.5**	**30.8**	**56.9**

Review of tax arrangements of public sector appointees

As part of the Review of the Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, departments were directed to publish information pertaining to the number of off-payroll engagements at a cost of over £58,200 that were in place on, or after, 31 January 2012; and any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during 2022-23.

The tables on the following pages set out this information.

Highly paid off-payroll worker engagements as at 31 March 2023, earning £245 per day or greater

	Department	Agencies	NDPBs	Group
Number of existing engagements as at 31 March 2023	91	6	36	133
Of which the number that have existed for:				
less than one year at time of reporting	36	5	30	71
between one and two years at time of reporting	47	–	2	49
between two and three years at time of reporting	7	–	2	9
between three and four years at time of reporting	–	–	1	1
four or more years at time of reporting	1	1	1	3

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2023, earning £245 per day or greater

	Department	Agencies	NDPBs	Group
Number of temporary off-payroll workers engaged during the year ended 31 March 2023	154	9	47	210
Of which:				
not subject to off-payroll legislation	–	–	14	14
subject to off-payroll legislation and determined as in-scope of IR35	142	8	19	169
subject to off-payroll legislation and determined as out-of-scope of IR35	12	1	14	27
Number of engagements reassessed for compliance or assurance purposes during the year	–	–	–	–
Of which: number of engagements that saw a change to IR35 status following review	–	–	–	–

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2022 and 31 March 2023

	Department	Agencies	NDPBs	Group
Number of off-payroll engagements of board members and/or senior officials with significant financial responsibility, during the financial year	–	–	1	1
Total number of individuals on- and off-payroll that have been deemed “board members and/or senior officials with significant financial responsibility” during the financial year. This figure should include both on- and off-payroll engagements	39	21	121	181

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 requires relevant public sector organisations to report on trade union facility time in their organisations.

Relevant union officials – Department and Agencies

	2022-23	2021-22	2020-21	2019-20	2018-19
Number of employees	31	24	22	23	23
Full-time equivalent employee numbers	7,862	8,169	7,511	6,924	5,597

The full-time equivalent employee numbers are those as at 31 March 2023 for the Department and Agencies. These numbers are different to those disclosed for the Department and Agencies within the average number of persons employed table on page 187, which reports the monthly average number of staff over the full year, as opposed to the number of staff in employment at the end of the year.

Percentage of time spent on facility time – Department and Agencies

	2022-23	2021-22	2020-21	2019-20	2018-19
% of time	Number of employees	Number of employees	Number of employees	Number of employees	Number of employees
0%	4	7	9	3	–
1-50%	27	17	13	20	23
51-99%	–	–	–	–	–
100%	–	–	–	–	–

Percentage of pay bill spent on facility time – Department and Agencies

	2022-23	2021-22	2020-21	2019-20	2018-19
Total cost of facility time	£43,219	£41,347	£44,273	£37,746	£13,437
Total pay bill (£m)	£501	£483	£446	£406	£250
% of the total pay bill against facility time	0.009%	0.01%	0.01%	0.009%	0.005%

The Department and Agencies pay bill disclosed above is larger than that disclosed earlier in the staff report because the figure above includes capitalised staff costs.

Paid trade union activities

The percentage of hours spent by employees who were relevant union officials during the relevant period on paid trade union activities was nil% (2021-22: 4.1%).

Parliamentary accountability and audit report

Overview

In addition to the primary statements prepared under IFRS, Government Financial Reporting Manual (FReM) requires the Department to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes. The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimates. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimates details Supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimates, called control limits, their accounts will receive a qualified opinion. The format of the SOPS mirrors the Supply Estimates, published on GOV.UK, to enable comparability between what Parliament approves and the final outturn. The SOPS contains a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn will not exactly tie to cash spent), and administration.

The supporting notes detail the following: outturn by Estimates line, providing a more detailed breakdown (note S1); a reconciliation of outturn to net operating expenditure in the SoCNE, to tie the SOPS to the financial statements (note S2); a reconciliation of outturn to net cash requirement (note S3); and, an analysis of income payable to the Consolidated Fund (note S4).

The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different to, IFRS. An understanding of the budgeting framework and an explanation of key terms is provided on page 42, in the financial review section of the Performance Report. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance. The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial review, in the Performance Report, provides a summarised discussion of outturn against Estimates and functions as an introduction to the SOPS disclosures.

Statement of Outturn against Parliamentary Supply: audited

For the year ended 31 March 2023

Summary table, 2022-23

		Outturn			Estimate			Outturn vs Estimate, saving/(excess)		Prior year Outturn total 2021-22
Type of spend	Note	Voted	Non-voted	Total	Voted	Non-voted	Total	Voted	Total	
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit										
Resource	S1.1	67,154,660	–	67,154,660	75,797,421	–	75,797,421	8,642,761	8,642,761	72,945,619
Capital	S1.2	5,947,970	–	5,947,970	6,268,705	–	6,268,705	320,735	320,735	4,797,486
Total		**73,102,630**	**–**	**73,102,630**	**82,066,126**	**–**	**82,066,126**	**8,963,496**	**8,963,496**	**77,743,105**
Annually Managed Expenditure										
Resource	S1.1	(14,313,827)	–	(14,313,827)	(10,391,430)	–	(10,391,430)	3,922,397	3,922,397	(5,179,580)
Capital	S1.2	24,827,708	–	24,827,708	27,253,153	–	27,253,153	2,425,445	2,425,445	21,863,392
Total		**10,513,881**	**–**	**10,513,881**	**16,861,723**	**–**	**16,861,723**	**6,347,842**	**6,347,842**	**16,683,812**
Total Budget										
Resource	S1.1	52,840,833	–	52,840,833	65,405,991	–	65,405,991	12,565,158	12,565,158	67,766,039
Capital	S1.2	30,775,678	–	30,775,678	33,521,858	–	33,521,858	2,746,180	2,746,180	26,660,878
Total Budget Expenditure		**83,616,511**	**–**	**83,616,511**	**98,927,849**	**–**	**98,927,849**	**15,311,338**	**15,311,338**	**94,426,917**
Non-budget expenditure		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Budget and Non-budget		**83,616,511**	**–**	**83,616,511**	**98,927,849**	**–**	**98,927,849**	**15,311,338**	**15,311,338**	**94,426,917**

Figures in the areas outlined in thick lines cover the voted control limits voted by Parliament. Refer to the Supply Estimates Guidance Manual[65] for detail on the control limits voted by Parliament.

Net cash requirement 2022-23

Item	Note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)	Prior year Outturn total 2021-22
		£000	£000	£000	£000
Net cash requirement	S3	**98,778,006**	**100,993,369**	**2,215,363**	**92,785,956**

Administration costs 2022-23

Type of spend	Note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)	Prior year Outturn total 2021-22
		£000	£000	£000	£000
Administrative costs	S1.1	**546,417**	**570,073**	**23,656**	**539,923**

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanation of variances between Estimates and outturn are given in the commentary on significant variances between Estimates and outturn in the financial review of the year on page 41.

The notes on pages 193 to 201 form part of this Statement of Outturn against Parliamentary Supply.

65 https://www.gov.uk/government/publications/supply-estimates-guidance-manual

Notes to the Statement of Outturn against Parliamentary Supply: audited

S1. Outturn detail, by Estimate line

S1.1. Analysis of resource outturn by Estimate line

Type of spend (Resource)	Resource Outturn							Estimate			Outturn vs Estimate, saving/ (excess)	Prior year Outturn total, 2021-22
	Administration			Programme								
	Gross	Income	Net	Gross	Income	Net	Total	Total	Vire-ments	Total inc. virements		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit												
Voted expenditure												
Activities to Support all Functions	457,534	(28,792)	428,742	224,770	(74,263)	150,507	579,249	580,284	15,708	595,992	16,743	530,370
Early Years and Schools (Department)	–	–	–	1,750,380	(60,332)	1,690,048	1,690,048	1,768,059	(16,753)	1,751,306	61,258	1,381,615
Early Years and Schools (ALB) (net)	3,159	–	3,159	(251)	–	(251)	2,908	7,194	–	7,194	4,286	1,512
Children Services, Communications and Strategy (Department)	–	–	–	392,550	(269)	392,281	392,281	436,407	–	436,407	44,126	363,473
Children Services, Communications and Strategy (ALB) (net)	2,324	–	2,324	14,078	–	14,078	16,402	18,921	1	18,922	2,520	12,472
Standards and Testing Agency	3,448	(140)	3,308	41,101	–	41,101	44,409	45,795	65	45,860	1,451	25,336
Teaching Regulation Agency	227	–	227	10,173	(9)	10,164	10,391	11,281	10	11,291	900	7,704

Type of spend (Resource)	Resource Outturn: Administration Gross	Resource Outturn: Administration Income	Resource Outturn: Administration Net	Resource Outturn: Programme Gross	Resource Outturn: Programme Income	Resource Outturn: Programme Net	Resource Outturn: Total	Estimate: Total	Estimate: Vire-ments	Estimate: Total inc. virements	Outturn vs Estimate, saving/ (excess)	Prior year Outturn total, 2021-22
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Education and Skills Funding Agency (ESFA)	46,917	(171)	46,746	2,624,273	(93,359)	2,530,914	2,577,660	2,719,791	–	2,719,791	142,131	2,602,686
Grants to Local Authority Schools	–	–	–	33,360,967	(1,914)	33,359,053	33,359,053	33,215,730	143,323	33,359,053	–	31,589,117
Grants to Academies	–	–	–	29,583,181	(2,347)	29,580,834	29,580,834	29,725,535	(142,354)	29,583,181	2,347	27,177,385
Higher Education	–	–	–	(8,628,651)	(37,445)	(8,666,096)	(8,666,096)	(540,450)	–	(540,450)	8,125,646	2,325,255
Further Education	–	–	–	5,894,949	(9,136)	5,885,813	5,885,813	6,115,254	–	6,115,254	229,441	5,293,461
Higher Education (ALB) (net)	51,382	–	51,382	1,602,578	–	1,602,578	1,653,960	1,664,401	–	1,664,401	10,441	1,612,014
Further Education (ALB) (net)	10,529	–	10,529	17,219	–	17,219	27,748	29,219	–	29,219	1,471	23,219
Total spending in DEL	**575,520**	**(29,103)**	**546,417**	**66,887,317**	**(279,074)**	**66,608,243**	**67,154,660**	**75,797,421**	**–**	**75,797,421**	**8,642,761**	**72,945,619**
Spending in Annually Managed Expenditure												
Voted expenditure												
Activities to Support all Functions (Department)	–	–	–	34,550	–	34,550	34,550	10,799	23,751	34,550	–	15,393
Activities to Support all Functions (ALB)	–	–	–	250	–	250	250	–	250	250	–	–
Executive Agencies	–	–	–	14,040	–	14,040	14,040	360	13,680	14,040	–	(15,389)
Higher Education	–	–	–	(5,593,794)	(8,682,536)	(14,276,330)	(14,276,330)	(10,350,600)	(38,420)	(10,389,020)	3,887,310	(5,169,574)
Further Education	–	–	–	(8,779)	(69,568)	(78,347)	(78,347)	(75,218)	–	(75,218)	3,129	(42,451)

Type of spend (Resource)	Resource Outturn: Administration Gross	Administration Income	Administration Net	Programme Gross	Programme Income	Programme Net	Total	Estimate: Total	Vire-ments	Total inc. virements	Outturn vs Estimate, saving/ (excess)	Prior year Outturn total, 2021-22
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Higher Education (ALB) (net)	–	–	–	1,368	–	1,368	1,368	629	739	1,368	–	1,121
Further Education (ALB) (net)	–	–	–	(9,358)	–	(9,358)	(9,358)	22,600	–	22,600	31,958	31,320
Total spending in AME	**–**	**–**	**–**	**(5,561,723)**	**(8,752,104)**	**(14,313,827)**	**(14,313,827)**	**(10,391,430)**	**–**	**(10,391,430)**	**3,922,397**	**(5,179,580)**
Total spending budget	**575,520**	**(29,103)**	**546,417**	**61,325,594**	**(9,031,178)**	**52,294,416**	**52,840,833**	**65,405,991**	**–**	**65,405,991**	**12,565,158**	**67,766,039**
Total spending in non-budget	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total budget and non-budget spending	**575,520**	**(29,103)**	**546,417**	**61,325,594**	**(9,031,178)**	**52,294,416**	**52,840,833**	**65,405,991**	**–**	**65,405,991**	**12,565,158**	**67,766,039**

The total Estimates columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HMT). Further information on virements are provided in the Supply Estimates Guidance Manual.[65]

The outturn vs Estimates column is based on the total including virements. The Estimates total before virements have been made is included so that users can tie the Estimates back to the Estimates laid before Parliament.

S1.2. Analysis of capital outturn by Estimate line

Type of spend (Capital)	Outturn			Estimate			Outturn vs Estimate, saving/ (excess)	Prior year Outturn total, 2021-22
	Gross	Income	Net total	Total	Virements	Total inc. virements		
	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit								
Voted expenditure								
Activities to Support all Functions	131,634	(12,669)	118,965	127,614	–	127,614	8,649	57,665
Early Years and Schools (Department)	1,444,730	(250,389)	1,194,341	1,499,549	(182,550)	1,316,999	122,658	1,430,355
Early Years and Schools (ALB) (net)	(32,932)	–	(32,932)	(11,931)	–	(11,931)	21,001	(29,322)
Children Services, Communications and Strategy (Department)	14,628	–	14,628	59,034	(430)	59,034	44,406	3,023
Children Services, Communications and Strategy (ALB) (net)	3,262	–	3,262	2,832	430	3,262	–	1,956
Standards and Testing Agency	3,737	–	3,737	4,129	–	4,129	392	1,279
Education and Skills Funding Agency (ESFA)	169,702	(8,236)	161,466	148,655	12,811	161,466	–	125,143
Grants to Local Authority Schools	2,702,679	(7,328)	2,695,351	2,549,779	145,572	2,695,351	–	1,888,138
Grants to Academies	1,356,945	(22,900)	1,334,045	1,318,608	15,437	1,334,045	–	1,031,790
Higher Education	41,354	(11,444)	29,910	21,180	8,730	29,910	–	41,295
Further Education	315,868	(17,076)	298,792	404,855	–	404,855	106,063	94,638
Higher Education (ALB) (net)	124,618	–	124,618	142,080	–	142,080	17,462	150,867
Further Education (ALB) (net)	1,787	–	1,787	1,891	–	1,891	104	659
Total spending in DEL	**6,278,012**	**(330,042)**	**5,947,970**	**6,278,705**	**–**	**6,278,705**	**320,735**	**4,797,486**

Type of spend (Capital)	Outturn			Estimate			Outturn vs Estimate, saving/ (excess)	Prior year Outturn total, 2021-22
	Gross	Income	Net total	Total	Virements	Total inc. virements		
	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Annually Managed Expenditure								
Voted expenditure								
Activities to Support all Functions	1,843	–	1,843	–	1,843	1,843	–	–
Executive agencies	282	–	282	–	282	282	–	–
Higher Education	28,597,116	(3,916,889)	24,680,227	27,068,072	(2,297)	27,065,775	2,385,548	21,707,797
Further Education	192,891	(48,627)	144,264	182,531	–	182,531	38,267	159,594
Higher Education (ALB) (net)	172	–	172	–	172	–	–	–
Further Education (ALB) (net)	920	–	920	2,550	–	2,550	1,630	(3,999)
Total spending in AME	**28,793,224**	**(3,965,516)**	**24,827,708**	**27,253,153**	**–**	**27,253,153**	**2,425,445**	**21,863,392**
Total spending in Budget	**35,071,236**	**(4,295,558)**	**30,775,678**	**33,521,858**	**–**	**33,521,858**	**2,746,180**	**26,660,878**
Non-Budget spending	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Budget and non-Budget spending	**35,071,236**	**(4,295,558)**	**30,775,678**	**33,521,858**	**–**	**33,521,858**	**2,746,180**	**26,660,878**

The total Estimates columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HMT). Further information on virements are provided in the Supply Estimates Guidance Manual.[65]

The outturn vs Estimates column is based on the total including virements. The Estimates total before virements values have been included so that readers can agree the Estimates values disclosed back to the Estimates laid before Parliament.

S1.3 Explanation of variances pre-virements

We have provided explanations for large pre-virement variances above in the Financial Review of the Year from page 41. Large variances have been defined as over £1 billion or over 10% of Estimates value and over £250 million, across the different budget types.

PHOTO REDACTED DUE TO THIRD PARTY RIGHTS OR OTHER LEGAL ISSUES

S2. Reconciliation of outturn to net operating expenditure

Item	Reference	Outturn total	Prior year Outturn total, 2021-22
		£000	**£000**
Total Resource outturn	S1.1	**52,840,833**	**67,766,039**
Add: Capital grants	5.4	5,804,642	4,834,811
Other capital expenditure		15,906	13,596
Total		**5,820,548**	**4,848,407**
Less: Income payable to the Consolidated Fund	S4	(397)	(127)
Capital grant income		(80,586)	(46,093)
Other adjustments		(62)	2,396
Total		**(81,045)**	**(43,824)**
Net operating expenditure in SoCNE	SoCNE	**58,580,336**	**72,570,622**

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to but different from IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SOPS to the financial statements.

For example, capital grants (income or expenditure) are budgeted for as CDEL so are not included within resource outturn but are accounted for as grant expenditure (or income) in SoCNE. Therefore, capital expenditure functions as a reconciling item between resource and SoCNE's net operating expenditure. See note 5.4 for more detail on our capital grant activities. The majority of the reconciling item 'Other capital expenditure' relates to paying student loan sale financial guarantees. The capital grant income reconciling item refers to capital contributions received from other government departments in support of school building programmes.

S3. Reconciliation of net resource outturn to net cash requirement

Item	Reference	Outturn total	Estimate	Outturn vs Estimate, saving/ (excess)
		£000	£000	£000
Total Resource outturn	S1.1	**52,840,833**	**65,405,991**	**12,565,158**
Total Capital outturn	S1.2	**30,775,678**	**33,521,858**	**2,746,180**
Adjustment for NDPBs				
Remove voted resource and capital		(1,791,105)	(1,880,386)	(89,281)
Add cash grant-in-aid		1,798,514	1,857,220	58,706
Adjustments to remove non-cash items				
Depreciation, amortisation and impairment	7.2	(173,437)	1,880,419	2,053,856
Student loan book fair value movement		15,034,810	–	(15,034,810)
New provisions and adjustment to previous provisions		(79,093)	(91,942)	(12,849)
Other non-cash adjustments		(61,384)	185,609	246,993
Adjustments to reflect movements in working balances				
Movement in receivables	SoCF	217,443	–	(217,443)
Movement in payables	SoCF	48,026	–	(48,026)
Use of provision		100,253	114,600	14,347
Use of financial guarantees		38,072	–	(38,072)
Movement in lease liabilities		29,396	–	(29,396)
Total		**15,161,495**	**2,065,520**	**(13,095,975)**
Net cash requirement		**98,778,006**	**100,993,369**	**2,215,363**

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

The net cash requirement will not match the net cash inflow/(outflow) presented in the Statement of Cash Flows (SoCF). The requirement is a measure of the funding needs of the Group for the year to support its expected activities. Whereas the SoCF presents the net inflow or outflow of cash across the year after including Supply (which approximates the requirement) as a financing balance.

Since Estimates and actuals calculated on the same basis (outturn) are based on the accruals concept, there are differences between actual and expected spending and the Group's requirement for cash from the Exchequer. In addition, the Group may incur spending that is not reported against budgets, and so sits outside both outturn and Estimates, but would increase the Group's requirement for funds to settle such obligations.

S4. Amounts of income to the Consolidated Fund

S4.1. Analysis of income payable to the Consolidated Fund

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

Item	Outturn total		Prior year, 2021-22	
	Accruals	Cash basis	Accruals	Cash basis
	£000	**£000**	**£000**	**£000**
Income outside the Ambit of the Estimate	397	*397*	127	*127*
Excess cash surrenderable to the Consolidated Fund	–	*–*	–	*–*
Total amount payable to the Consolidated Fund	**397**	***397***	**127**	***127***

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Parliamentary accountability disclosures: audited

We are custodian of taxpayers' funds and have a duty to parliament to ensure the regularity and propriety of our activities and expenditure. We manage public funds in line with Managing Public Money.

The importance of operating with regularity and the need for efficiency, economy, effectiveness and prudence in the administration of public resources to secure value for public money, is the responsibility of our Accounting Officer whose responsibilities are also set out in Managing Public Money. They include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable.

To discharge this responsibility and ensure our control totals are not breached, the following activities are in place:

- formal delegation of budgets
- detailed monitoring of expenditure
- monthly management reporting against control totals

In addition, we operate the three lines of defence model, which is included in our risk management framework. We have provided details of this in our governance statement on page 133.

In 2022-23, we did not breach any of our control totals, details are provided in the Statement of Outturn against Parliamentary Supply on page 191.

The disclosures below are for the bodies noted in note 23 and do not include the academy and FE sectors.

Public sector losses and special payments

A1. Losses statement

The total of all losses that have been recognised this year is as follows:

	2022-23		2021-22	
	Department & Agencies	Group	Department & Agencies	Group
Total number of cases	**28,515**	**28,936**	**18,996**	**19,177**
Total value of losses	**£000**	**£000**	**£000**	**£000**
Cash losses	2,813	2,828	8,341	8,345
Fruitless payments and constructive losses	316	319	9,073	9,227
Claims waived or abandoned	11,884	12,006	18,682	18,723
Store losses	159	159	2,836	2,836
	15,172	**15,312**	**38,932**	**39,131**

A1.1 Cash losses over £300,000

	Reporting Body	£000
Grant overpayments		
NFF – Surrey County Council	ESFA	1,514
Steiner Academies	ESFA	580

Unrecoverable grant overpayments

In certain circumstances, overpayments of grants can occur when payments to educational providers exceed the final funding eligible for that period. The debts arise mainly where providers have overstated funding claims for delivery during a contract, for example where a learner started but did not complete. This results in the funding claim subsequently being reduced or corrected during reconciliation or following an audit. As such, the monies the providers received exceeded the amount which they were entitled to at the end of the contract.

In such circumstances, the Group seeks to recover the overpayments from providers in cash or as deductions against future payments. In a small number of cases, funds are unable to be recovered due to the failure of the provider. If, after a prolonged period of time, insufficient funds from the provider's receiver or liquidator are received or the provider is dissolved, we abandon the claim.

National funding formula

Payments to a small number of LAs were overpaid due to an error in the complex allocation calculation. The overpaid funds continued to have terms restricting their application to use for education provision as determined by conditions of grant. Consequently, ESFA decided to waive recovery of the balances to minimise disruption to schools.

A1.2 Fruitless payments and constructive losses over £300,000

There were no fruitless payments over the disclosure threshold of £300,000.

A1.3 Claims waived or abandoned over £300,000

	Reporting Body	£000
Re-brokerage debt forgiveness		
Health Futures UTC	ESFA	459
Challenger Multi Academy Trust	ESFA	2,049
Greater Brighton Metropolitan College	ESFA	2,105
Steiner Academies	ESFA	1,183
Programmes		
T Levels	Department	1,199
Test cycle	STA	1,538
Student loans		
Write-off of student loan employer deductions	Department	2,906

Re-brokerage debt forgiveness

Balances owed by academies and colleges may in some circumstances be waived to facilitate the re-brokerage of the academy or college to a more sustainable academy trust or college corporation.

Programmes

T Levels – write-off required following the delivery of the T Level professional development programme.

Test cycle – delay credits were applied for the 2022 Test cycle, however a proportion of these were waived in order to de-risk delivery for future test cycles. The waiver has been made on the condition that the supplier fulfil certain actions aimed at improving the performance levels, including significant investment in additional resource.

Student loans

Student loan losses are disclosed here because the Department receives HMT approval for the losses at an aggregate level. Each specific loss is below the £300,000 disclosure threshold.

HMRC collects student loan repayments from borrowers on behalf of the Department collected by employers through the tax system. During 2022-23, £2.9 million (2021-22: £1.5 million) was written-off in respect of student loan repayments which have been collected by the employer from the borrower but were uncollectable by HMRC, normally because of employer insolvency. The number of cases relating to these losses is 27,611 (2021-22: 18,286).

A2. Special payments

	2022-23		2021-22	
	Department & Agencies	Group	Department & Agencies	Group
Total number of cases	**6**	**1,492**	**16**	**1,590**
	£000	**£000**	**£000**	**£000**
Total value	**728**	**925**	**3,706**	**5,199**

Severance payments are included within special payments shown above. These are paid under certain circumstances to employees, contractors and others outside of normal statutory or contractual requirements, when leaving employment in the public service, whether they resign, are dismissed, or reach an agreed termination of contract.

For 2022-23, we made three payments totalling £80,086 (2021-22: four payments totalling £123,567) in respect of severance cases. The highest payment was £48,869 (2021-22: £80,000), the lowest payment was £12,000 (2021-22: £9,500), and the median payment was £19,217 (2021-22: £17,034).

A2.1 Special payments over £300,000

	Reporting Body	£000
Legal settlement	Department	400

Legal settlement

During the year the Group settled a dispute, out of court, with a third party. The value of the settlement was £400,000.

Group volumes

The high volume of Group losses disclosed above is due to the large number of student loan losses reported by SLC; 1,483 cases (2021-22: 1,572 cases) but with a total value of just £117,000 (2021-22: £163,000).

A3. Student loans written-off in year

	2022-23		2021-22	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Due to:				
death	32.7	32.7	32.9	32.9
age	8.1	8.1	9.4	9.4
disability	2.5	2.5	1.8	1.8
access to higher education	50.3	50.3	39.1	39.1
	93.6	**93.6**	**83.2**	**83.2**

A4. Gifts

The total of all gifts and hospitality that have been paid out this year are as follows:

	2022-23		2021-22	
	Department & Agencies	Group	Department & Agencies	Group
Total number of cases	**–**	**82**	**–**	**43**
	£000	**£000**	**£000**	**£000**
Total value	**–**	**3**	**–**	**2**

A4.1 Gifts payments over £300,000

No single gift exceeded the £300,000 disclosure threshold.

A5. Remote contingent liabilities

In addition to contingent liabilities reported within the meaning of IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37) (see note 21), the Group also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the accounting standard's definition of a contingent liability.

A5.1 Quantifiable

The Group has entered into the following quantifiable remote contingent liabilities by offering guarantees, indemnities, or by giving letters of comfort. In accordance with Parliamentary reporting requirements, we are obliged to disclose these although none of these are contingent liabilities under the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is judged to be too remote.

	1 April 2022	Increase in year	Crystallised in year	Expired in year	Reassessed in year	31 March 2023
	£m	£m	£m	£m	£m	£m
Property-based						
LA indemnities	115,432	41,000	–	–	(10,000)	146,432
Property insurance	100,000	–	–	–	–	100,000
Planning risk	21,110	–	–	(11,110)	–	10,000
Academy trust rental support	15,511	–	–	–	–	15,511
Asset management costs	300	–	–	–	–	300
Other						
PFI contracts in the academy sector	9,250,000	–	–	–	–	9,250,000
USS guarantor	5,000	–	–	–	(1,000)	4,000
Data sharing agreements	3,000	–	–	–	–	3,000
Free school Principal designates	647	1,110	–	(834)	–	923
Junior ISAs	1,503	177	(40)	–	–	1,640
Contract early termination	1,800	99	–	–	–	1,899
Curriculum body transfer	-	10,000	–	–	–	10,000
Procurement indemnity	-	185	–	–	–	185
	9,514,303	**52,571**	**(40)**	**(11,944)**	**(11,000)**	**9,543,890**

Two quantified remote contingent liabilities have been reported to Parliament by departmental minute:

- PFI contracts to the academy sector – £9.25 billion
- Curriculum body transfer – £10 million

One of the quantified LA indemnities was reclassified to unquantifiable during the year.

A5.1.1 Reconciliation of remote contingent liabilities included in the Supply Estimates to the accounts

	Description of contingent liability	Supply Estimates	Amount disclosed in ARA	Variance (Estimates less ARA value)
		£m	£m	£m
Property based				
A	Sanctuary Buildings property insurance	100,000	100,000	–
B	Indemnity for academy site	12,500	12,500	–
C	Indemnity for NHS s106 agreement	10,000	–	10,000
D	Cover for NHS trust	10,000	10,000	–
E	s184 agreement for Highways Agency crossover works	10,000	–	10,000
F	Tenant default agreements	2,901	2,901	–
G	Indemnity for a free school site for planning permission fail	1,110	–	1,110
H	Letter of comfort issued relating to opening school premises up to allow for preparatory site works	646	–	646
I	Indemnity over project costs for an academy site	300	300	–
J	Indemnity for commercial free school lease	110	110	–
K	LA indemnities to support free school development works	–	146,432	(146,432)
		147,567	**272,243**	**(124,676)**
Other				
L	Academy PFI contracts	9,250,000	9,250,000	–
M	Letter of comfort novation of grant funding from incumbent supplier	6,000	–	6,000
N	OfS pension guarantor to USS	5,000	4,000	1,000
O	Data sharing agreements	3,000	3,000	–
P	Junior ISA exposure	1,585	1,640	(55)
Q	Free School Principal designates	823	923	(100)
R	Contract early termination	–	1,899	(1,899)
S	Curriculum body transfer (asset transfer)	10,000	10,000	–
T	Procurement indemnity	–	185	(185)
		9,276,408	**9,271,647**	**4,761**
		9,423,975	**9,543,890**	**(119,915)**

A5.1.2 Summary of exposures

Property-based

Property insurance – #A

The Department has agreed with a contractor to cover losses incurred if a catastrophic event occurred during the development of Sanctuary Buildings. The cover has been provided in accordance with Managing Public Money's view that government departments should not incur excessive insurance costs, but bear risks themselves where possible for value for money.

Planning risk – #B, C and G

The Group has provided indemnities to third parties to support free school developments which involve uncertainties arising from planning conditions underpinning the developments. The conditions cover a range of situations from simply planning being refused to the transfer of highways for development before being re-adopted by LAs. The indemnities are not open ended but have identified termination dates linked to the underlying developments.

LA indemnities – #D and K

Acting as developer and arising from planning decisions, the Department has provided uncapped indemnities to LAs (acting as competent sewage and/or highways authorities) in relation to school building projects. Indemnities arise under section 104 of the Water Industry Act 1991 (sewers), section 38 of the Highways Act 1980 (new highways infrastructure) and section 278 of the Highways Act 1980 (existing highways infrastructure).

During the year, the Department has been able to quantify potential liabilities for 14 development sites which have been reclassified from unquantifiable and recognised as new liabilities above.

Academy trust rental support – #E, G and J

The Group has entered into agreements with landlords of some academy trusts to support landlords in the event of underperformance of their academy trust tenants. The agreements create obligations on the Group to identify landlords to pay monies over if the academy trust operating from the site fails to perform under its lease. The agreements were entered into to support the smooth opening of various academies and free schools.

Asset management costs – #I

To progress the Central Ipswich Free School's property transaction, it was necessary to agree a cap in respect of an asset management indemnity. Group property experts' advice is that £250,000 is an acceptable figure for managing a town centre site in this part of the country and has been agreed. It is anticipated that the school will be built and this contingent figure will not need further consideration, but it is a commercial risk for the Group, hence the cap.

Other

Academy-sector PFI contracts – #L

The contingent liability arises from support the Department may provide LAs for their Private Finance Initiative (PFI) arrangements. These contingent liabilities are the result of the Group, acting as an agent to the Secretary of State, agreeing to provide an indemnity to LAs for potential costs on buildings they own but manage through existing PFI arrangements. The properties are used by academies.

This type of indemnity is considered low risk and is only a feature of the academy programme in very specific circumstances.

Grant funding – #M

A letter of comfort has been issued relating to the novation of grant funding contractual arrangements from the incumbent supplier to the newly appointed supplier. The maximum liability has been assessed as £6 million.

Universities Superannuation Scheme guarantor – #N

The Department acts as guarantor for OfS's obligations to the Universities Superannuation Scheme, which was a condition of OfS's admission to the pension scheme as a scheme employer.

In the event of a future transfer or winding up of OfS, the Department will guarantee that employer pension liabilities will continue to be met either by a successor body, or by the Department, in the event that no other body assumes the OfS's functions.

Data sharing agreements – #O

The Department has updated its data sharing agreement template for future agreements with third parties in line with the Data Protection Agreement Act 2018 and the Information Commissioner's Office enforcement powers. The Department is planning to offer indemnities to third parties which will be capped in agreement with HMT at £3 million in any financial year.

Junior ISA account – #P

The Department has contracted a charity to manage the JISA scheme on its behalf. Using an initial £200 payment from the Department, the contractor opens and manages JISAs on behalf of looked-after children while they remain in care. The government made a commitment in 2011 to provide £200 to set up a JISA for each child in care across the UK. LAs have identified young people who left care before a JISA could be opened for them, which creates the liability. The increase in the year was a result of better LA data identifying more potential claimants.

Free schools for principal designates – #Q

The Group underwrites the salaries of principal designates, or other key essential teaching staff, of new free schools before they open and receive operational grant funding.

Contract early termination – #R

As part of a ten-year service contract, one of the Group's NDPBs has agreed to compensate the counterparty should the contract be ended early to compensate for their investment in systems and people due to be used over the life of the contract. As at the year end, the maximum liability has been assessed at £1.9 million. This obligation has been assessed as remote due to the very low expectation of cancelling the contract early.

Curriculum body transfer (asset transfer) – #S

The previous owner of the content held by Oak required that the Department indemnify the previous owner to cover all Oak related liabilities for the assets transferring (including IP infringement liabilities).

Procurement indemnity – #T

Indemnity issued as part of a procurement exercise.

A5.2 Unquantifiable

A5.2.1 Reconciliation of remote contingent liabilities included in the Supply Estimates to the accounts

			Disclosed in ARA	
	Description of contingent liability	Included in Supply Estimates	As remote contingent liability	As IAS 37 contingent liability
1	Guarantee to LGPS funds to meet the pension deficit of academy closures.	Yes	–	Yes
2	A basic asset protection agreement between the Department and a public sector company for works at two colleges.	Yes	Yes	–
3	Uncapped indemnities arising from s185 of the Water Industry Act.	Yes	Yes	–
4	The Department contracts with lead suppliers for the delivery of the Early Career Framework and National Professional Qualification, the Department used model government clauses on indemnity limits and since the introduction of the revised data protection legislation under the GDPR it has been standard practice to include unlimited liability relating to data protection fines.	Yes	Yes	–
5	The permanent site for an academy delivery was subject to entering an unlimited indemnity with Canal & Rivers Trust to allow the drainage connection.	Yes	Yes	–
6	As a result of entering into a PFI arrangement for the building of schools (PF2) there are a number of contracts in place which have clauses that could give rise to liability for the Department.	Yes	Yes	–
7	As a result of entering into contracts on site purchases, the Department is subject to a number of overage clauses. These are considered to be remote as they relate to changes in contractual arrangements.	Yes	Yes	–
8	Uncapped indemnities relating to s104 agreements entered into as part of school builds. A s104 agreements are a section of the Water Industry Act 1991 that allows developers to enter into a legal agreement with local sewerage authorities where the developers construct sewers on their land and request that the sewers are adopted and maintained at the sewerage authority's expense once it is built to the required standard.	Yes	Yes	–

Description of contingent liability	Included in Supply Estimates	Disclosed in ARA: As remote contingent liability	Disclosed in ARA: As IAS 37 contingent liability
9 Uncapped indemnities relating to Section 38 (s38) agreements entered into as part of school builds. s38 of the Highways Act and relates to the design, construction and eventual adoption of a new road along with other infrastructure agreements.	Yes	Yes	–
10 Contingent liabilities in connection to free school building contracts and leases. These contingent liabilities are a result of the Department providing indemnities to the LA landlords for potential costs in not performing its obligations under various building contracts and leases to which the Department is a counterparty. This type of indemnity is considered to be low risk and is only a feature of the free school programme.	Yes	Yes	–
11 Statutory indemnity in relation to the Office of the Schools Adjudicator outlined in Paragraph 7 of Schedule 5 to the Schools Standards Framework Act 1998.	Yes	–	Yes
12 The sale of student loans necessitated warranties and indemnities to secure interest and obtain value for money from investors.	Yes	Yes	–
13 SLC has a remote contingent liability in place with a software supplier until March 2023, which protects the supplier in respect of any litigation raised against it relating to the provision of services by them on behalf of SLC.	Yes	Yes	–
14 The Department has a contingent liability to the Civil Service Pension Scheme for the incremental costs of uprating accrued benefits by the Consumer Prices Index (CPI), if a decision is taken in future to uprate benefits in the Civil Service Scheme by less than CPI.	Yes	Yes	–
15 Uncapped indemnities related to Section 278 (s278) agreements entered into as part of school builds. A s278 is a section of the Highways Act 1980 that allows developers to enter into a legal agreement with a council (in its capacity as the highway authority) to make permanent alterations or improvements to a public highway, as part of the planning approval for free school projects.	Yes	Yes	Yes
16 Coal Authority permit – the permit is required to undertake a ground investigation survey as part of the delivery of a free school project.	Yes	Yes	–
17 This indemnity is needed in order to get an NHS trust to co-sign a s106 agreement with the Department, as required under planning law. This is because at the time the s106 agreement is signed, they still hold an interest in the land on which we are building. Before commencing the building works the legal title to this land will transfer to the Department.	Yes	No	–
18 Litigation	No	Yes	–

A5.2.2 Summary of exposures

Student loan sales – #12

Each sale of student loans necessitated separate but similar warranties and indemnities to secure interest and obtain value for money from investors into the securitisation transactions. Each suite of obligations is separate from other sale, and there is no risk of cross-over, a failure for one sale does not automatically trigger failures for other sales.

These contingent liabilities are in respect of:

- A warranty to provide investors compensation for policy changes which reduce cash flows to investors. This is because the terms of the loans remain within government control, and there is nothing investors can do to influence this. The liability will exist for the life of the securitisation transaction, and it will expect to expire by 2056 for the December 2017 loan sale, and 2058 for the December 2018 loan sale. The likelihood of crystallisation is low.
- The need to repurchase all of the student loans as a remedy for investors if:
  - collection of repayments for the sold loans through the UK tax system by HMRC ceased
  - RPI used to calculate the interest rate of the loans was abolished without a substitute being put in place
  - there was a problem with the collection of loan repayments that could not be remedied for three consecutive annual payment dates
  - there is government policy that is implemented relating to forgiveness of student loan repayments for borrowers who are, or become, teachers pursuant to which any securitised student loan is (in whole or in part) cancelled, reduced in balance or written-off

The likelihood of any of these scenarios materialising is very low.

- An indemnity given to investors to cover potential losses if a ‘servicing event’ is triggered and is incurable or cannot be cured within a reasonable time. Investors are not able to change the servicer (unlike for a typical commercial transaction) and therefore an indemnity is their only recourse in the event that the servicing is not in line with the contractually agreed standard. The liability is expected to be live for the life of each securitisation transaction, ie up to around 30 years, and will reduce over time.
- Indemnities given to the joint lead managers if they (or their employees, directors or affiliates) suffer any loss as a result of misrepresentation, misleading statement or omissions or breach of duty by government. All of the liabilities are expected to be live for the life of each securitisation transaction, ie up to around 30 years.
- Indemnities have also been provided to certain other parties connected to each securitisation transaction to cover any loss from the Department (acting as Master Servicer) failing in its performance of certain duties. These include acting with negligence, fraud, wilful default, infringement of intellectual property rights, failing to provide a remedial plan or a cure within a certain timeframe.

LA indemnities – #3, 8, 9

Acting as developer and arising from planning decisions, the Department has provided uncapped indemnities to LAs (acting as competent sewage and/or highways authorities) in relation to school building projects. Indemnities arise under section 104 of the Water Industry Act 1991 (sewers), section 38 of the Highways Act 1980 (new highways infrastructure) and section 278 of the Highways Act 1980 (existing highways infrastructure).

SLC pension transfer – #14

As described in note 19, during 2019-20 SLC closed their pension scheme and transferred their staff into the main Civil Service scheme. The Department has a contingent liability for the incremental accrued benefit cost between CPI and non-CPI if the Civil Service scheme is uprated by less than CPI.

PF2 contractual warranties – #6

As a result of entering directly into a PFI arrangement for the building of schools (PF2) there are a number of contracts in place, which have clauses that could give rise to a liability for the Group. These are considered by the Group to be remote and unquantifiable as they relate to breach of contractual conditions.

Overage clauses – #7

As a result of entering into contracts for academy and free school site purchases, the Group is subject to a number of overage clauses. These clauses are considered remote as they relate to changes in contractual arrangements.

Basic asset protection agreement – #2

To support a free school development the Department is exposed to the risk related to non-damage interference to a main line railway. The risk has been mitigated with a risk sharing agreement with the contractor and an insurance policy. The liability disclosed here is the uncapped amount above the insurance cover of £3 million.

Contract breaches –#4

The Department has provided indemnities to protect suppliers for contract breaches by the Department, including breaches of data protection regulations. These liabilities are considered remote as they are triggered by contract breaches by the Department.

Coal Authority permit – #16

The Department has permits with the Coal Authority for the benefit of delivering various free school projects. The school sites fall under the Coal Authority's development high risk area due to their mining past. The permits are required to undertake ground investigation surveys to complete feasibility studies for the free school projects. From the effective date of the permit for a period of 12 years, the Department is liable for any claims, losses or damages arising as a result of any works carried out on the site by the Department or its contractor.

Litigation – #18

The Department is involved in a legal case brought by a third party. As an ongoing case with uncertain outcome, we are not yet able to quantify any possible payment.

Cost allocation and charges

As a public sector information holder, the Group was compliant with HMT's issued guidance on cost allocation and charging for information services in 2022-23.

Susan Acland-Hood
Accounting Officer
13 July 2023

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

Opinion on financial statements

I certify that I have audited the financial statements of the Department for Education and of its Departmental Group for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000. The Department comprises the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2022. The financial statements comprise: the Department's and the Departmental Group's:

- Consolidated Statement of Financial Position as at 31 March 2023;
- Consolidated Statement of Comprehensive Net Expenditure, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Department's financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Department and the Departmental Group's affairs as at 31 March 2023 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2023 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I am independent of the Department and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of authorities	
Authorising legislation	Government Resources and Accounts Act 2000 Education Act 2002 Education (Student Support) regulations Local Government Act 2003
Parliamentary authorities	Supply and Appropriations (Main Estimates) Act
HM Treasury and related authorities	Managing Public Money

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Department and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Department or its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Department and its Group is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified through the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around management override of controls or segmental reporting, two areas where my work has not identified any matters to report.

The key audit matters were discussed with the Audit and Risk Committee; its report on matters that it considered to be significant to the financial statements is set out on pages 140-141.

Key audit matter – Valuation of the student loan book
Description of risk The English student loan book is a highly material estimate within the Department's accounts. The student loans valuation is derived from an intricate statistical model and relies on significant management judgements, interventions and assumptions that are individually complex or subjective. Small changes in assumptions can lead to material changes in the estimate. This risk is only relevant to the parent Department, which accounts for the loan book in its entirety. It does rely on the Student Loans Company (SLC) as a service organisation which processes loans and holds borrower data. The loan book comprises £203 billion of issued loans, valued at £137 billion in the accounts. The model itself requires a significant forward-look at many key areas of the UK economy. The model must account for macroeconomic assumptions which are expected to incorporate key events affected by the UK economy such as inflation, EU exit, employment and earnings of the loan book population, and the Bank of England base-rate, and these are projected up to 2070 in many cases. The model is therefore not overly sensitive to short-term trends given the longevity of the repayments window. This has been considered a key audit matter as it is highly material, highly judgemental and is a complex estimate.

How the scope of my audit responded to the risk	In assessing the Department's valuation of the student loan book and the modelling, I have not elected to use a specific materiality for the loan book, and have continued to use our existing materiality applicable to the whole account, being £860 million. I assessed the valuation of the loan book through several audit procedures. I tested and confirmed the new loans issued in year back to relevant data to confirm the appropriateness of the new loans issued and to identify any levels of fraud and error present in the population of new loans issued. This work built upon the work performed by the internal auditors, the Government Internal Audit Agency (GIAA), who perform a test of 1,100 students to assess the level of error in the population of new loans issued. In the current year, the estimated extrapolated level of fraud and error in the population of new loans issued of £20 billion was approximately £327 million, which is deemed to be irregular spend. This represents loans issued where some eligibility criteria were not evidenced or where a specific loan type was allocated to an inappropriate individual. This error is higher than in the previous year, where it was estimated to be £145 million. I assessed the data pipeline between SLC and the Department and the flow of borrower data and repayment data in order to ensure that the data used in the modelling of the loan book valuation was the appropriate base borrower data. I audited, using auditor's experts familiar with modelling and data analysis, the many components of the model used by the Department, including its earnings model, repayments model, outlay model, and the associated sub-models. This included analysing and assessing the code used by the model to achieve its outcomes and whether the modelling choices, assumptions and calculations are appropriate. I assessed whether the choice of modelling techniques for key parts of the model are appropriate and whether alternative modelling techniques would yield better results.

	I assessed the appropriateness of all assumptions and whether there are any alternative measures or assumptions, or whether there is any management bias within the assumptions used. I have reperformed the modelling calculations and sought to recreate the modelled output from the Department. I considered the governance, quality assurance processes, checks and assessment by the Department, and any change management procedures for managing the model and the modelling environment. I tested repayments in year, by assessing the loans collected through the PAYE system by HMRC and confirming that the amounts collected are paid over to the Department in year and accounted for correctly. As the repayments through self-payments or via SLC are not material no further specific procedures are performed on these balances. **Key observations** I performed extensive work on the loan model and am content that the method used is appropriate, that the estimated valuation of the loan book is in line with the model and its outputs, and that the model inputs are appropriate and complete. I concluded that the model is operating as expected and that this represents an appropriate estimate of the valuation of the loan book in line with IFRS 9. I concluded our testing on new loans issued, and used assurances from the HMRC audit team over the loans repaid in year. The procedures I performed in response to the risk of material misstatement were satisfactory. However, I draw attention to the disclosures made in note 1.3.5 and note 12 concerning critical accounting judgements and key sources of estimation uncertainty relating to the valuation of student loans. As set out in these disclosures there is a high degree of inherent estimation uncertainty in the loan valuation, as repayments are highly dependent on macroeconomic circumstances over the long-term. Significant changes to the valuation could occur as a result of the subsequent information and events which are different from the current assumptions adopted by the Department.

<table>
<tr><th colspan="2">Key audit matter – IFRS 16</th></tr>
<tr><td colspan="2">Description of risk

I have identified the application of IFRS 16 as a key audit matter, as this is the first year that the Department has to account for all leases under IFRS 16. IFRS 16 is significant in respect of financial reporting, budgeting, planning and fiscal implications for the Department. The Department operates a large estate of office space and shared floor space across approximately 20 sites which are now accounted for under IFRS 16. The Department also has the potential recognition of other leases within its estate.

One key reason I considered this to be a significant risk for the Department is its involvement in supporting the academy sector in locating and developing school sites for occupation by academy trusts. Sites are acquired by the Group and then leased out to academy trusts on 125-year peppercorn leases. This is expected to trigger additional asset recognition, and has involved a significant amount of work by the Department to date to identify all such leases and assess their value. This therefore has additional recognition challenges as well as elevating the potential risk for completeness of assets associated with the Department's support of the sector. These would not have had a significant financial impact under IAS 17, the preceding standard that governed leases, as they were for peppercorn values and therefore had no significant financial impact.</td></tr>
<tr><td>How the scope of my audit responded to the risk</td><td>For the Department's operational assets, such as office buildings or floorspace within a shared office, I assessed the completeness of information provided against known information and addresses for the Department and its core sites. I tested a sample of leases back to their underlying lease agreement and recalculated the expected valuation of any lease asset and liability under IFRS 16.

For the sectoral leases relating to future school sites, I assessed that these are valued based on the value of the land held and associated with the lease, as the building itself is expected to be of no value to the Department and will in all cases be demolished in order to construct a school. These leases are valued by management's experts to establish the land value, representing the value in use. I performed work to be able to rely on management's experts to assess the valuation approach and final calculated value of the land of these sites.

I assessed the design and implementation of controls around the leases and transition arrangements. We have recalculated the total values and ensured that all disclosures are mathematically accurate and reflect the underlying records. I confirmed that all transitional arrangements complied with the requirements adapted for the public sector, including assessment of existing leases under IAS 17, and ensuring that short term and low cost exemptions were applied as mandatory. I confirmed the disclosures around transition have been appropriately made.</td></tr>
</table>

	Key observations The procedures I performed in response to the risk of material misstatement were satisfactory.

Key audit matter – Regularity of loans and grants
Description of risk I have identified the risk of irregularity of grants and loans across the Departmental Group as a significant risk and key audit matter. Significant numbers and values of grants and grant-like loans (ie student loans) are issued by entities within the Departmental Group. The Department issued £20 billion in student loans and paid out £74 billion in resource grants and £6 billion in capital grants in the current year. Grant expenditure is inherently riskier with respect to regularity than other types of expenditure incurred by the Departmental Group. This is mainly because the benefit of the underlying goods/services is received by a party other than the Department, so it is harder for the Department to determine if the benefit has been delivered in those circumstances where the primary legislation requires it to do so. This risk also encompasses the accuracy of formula-driven grant allocations and the validity of underlying data used to produce them where this data is provided by the recipient themselves. My prior year estimates of aggregate grant irregularity across the Group have not been material. However, a consistent issue was identified in previous years where we noted a significant value of grant spend where assurance was limited. These were grants that were exposed to some risk of irregularity, though they varied in value and by grant stream year on year. In the current year, this has remained the case, with some newer grant streams being more difficult to assure as regular, as well as having irregularity associated with some existing grant streams. The risk also includes the risk of fraud and error in the student loan population, which is tested as part of the loan book audit, but also forms part of our overall assessment of regularity of grants and loans. I assessed that there are still financial pressures in the education sector, which may incentivise people to claim additional funding inappropriately. There are several new grant streams in year, including £60 million issued for the new Multiply adult numeracy scheme, £170 million for the Homes for Ukraine education grant for Ukrainian refugees in the UK, and £15 million for the Family Hubs transformation programme. As noted, assurance over new grant streams can have an elevated risk as new assessment procedures are put into place which may not be operating during the year, or which are required at speed to address an issue in the current year. This risk is Group-wide, with key contributors being the Department itself and its £8 billion of grants, the Education and Skills Funding Agency (ESFA) and its assessment of £65 billion of grants, the Construction Industry Training Board (CITB) and the Office for Students (OfS). Student loans are also administered by the Student Loans Company (SLC) as an agent for the Department.

How the scope of my audit responded to the risk	I tested the regularity of grants by selecting samples of grants by stream and verifying these back to underlying grant agreements, cash paid, and evidence received from grant recipients to confirm eligibility and use of funds. Where a recipient has not provided appropriate evidence, or where there are terms and conditions that have not been complied with, I deem these grants to be irregular. For most grants, the terms and conditions set by the Department are what determines the regularity in line with the relevant laws and statutes. For the Department and the ESFA this is often derived from the Education Act and the Local Government Act. Once determined, they become the requirements for grant spending to be regular. For the ESFA, my testing involved reperformance of the work of the Finance and Provider Market Oversight (FPMO) function in order to assess the estimated level of error in the grants paid out to the sector via the ESFA, verifying these back to the documentation provided to the ESFA to confirm eligibility and appropriate use of funds. For the core Department, there is no central testing function equivalent of FPMO for the majority of capital and resource grants, and therefore I risk-assessed all the grants issued by the Department based on the level of hypothecation and the restriction in place for the grant. The only exception is the apprenticeship grants which having recently transferred from the ESFA still relies on FPMO to assure the Department that the spend is regular. For higher risk grants, I selected a sample of grants to agree through to supporting documentation, assessed each one on its own merit and extrapolated an estimate of the irregular spend. The testing requires understanding of each grant stream and the documentation required. This may involve seeking further evidence from the recipient regarding its use of funds where this is restricted. I have judged that the materiality I set for my audit of the financial statements is also appropriate for my regularity opinion. Any grants which are material by context owing to the nature of any irregularity observed has been considered when forming my opinion.
	I also sought to predict grant spend using a substantive analytical procedure where data is publicly available to assess the level of grant eligible to a recipient or group of recipients, which is particularly the case for the devolved Adult Education Budget grants and the formulaic capital grants which are paid out as a block to recipients. **Key observations** As a result of my testing, I identified significant but immaterial irregular grant spend in several areas. I have estimated £327 million of irregular student loans issued, £130 million of irregular grant spend within the core Department relating to various grant streams, and £216 million of irregular spend within the ESFA.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the Department and its group's financial statements as a whole as follows:

	Departmental Group	**Department**
Materiality	£839 million	£838 million
Basis for determining overall account materiality	1% of expenditure of £84 billion (£78 billion in 2021-22) excluding the expenditure impact of student loans as this is highly volatile	1% of expenditure of £83 billion (£72 billion in 2021-22)
Rationale for the benchmark applied	I have identified gross expenditure as the appropriate benchmark, given it is clearly the main driver of activity as voted on by Parliament through the supply process. The Department's main activities are to provide education services, which it does mainly through grant expenditure, which makes up the majority of gross expenditure. I also assessed other benchmarks, and noted that net assets or profit, as is used by auditors in the private sector, are not appropriate for a major Department of State, particularly one with no profit. I excluded the fair value movement of student loans from the gross expenditure figure as it is a highly volatile figure and holding the loan book is not the main driver in determining the Department's activity.	The Department materiality is the same as the Group rationale as the majority of the spend goes through the Department.

	Departmental Group	Department
	I have not sought to use an alternative benchmark for the student loan book, or for the grant regularity. The grant regularity consideration is the same as the expenditure, and therefore is deemed sufficient.	

Performance materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality of the financial statements as a whole. Group performance materiality was set at 75% of Group materiality for the 2022-23 audit (2021-22: 75%). In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period. There were several misstatements in the prior year; however, these were not related to our sampling or the aggregation of misstatements. They represented aggregate adjustments from components in compiling the financial statements, significant work around student loans, and balance-sheet reclassifications.

Other materiality considerations

There were no significant revisions to the materiality threshold as the audit progressed relating to the updated expenditure figures. There were no revisions to our benchmark, percentage or performance materiality.

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing my audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error reporting threshold

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £1 million, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

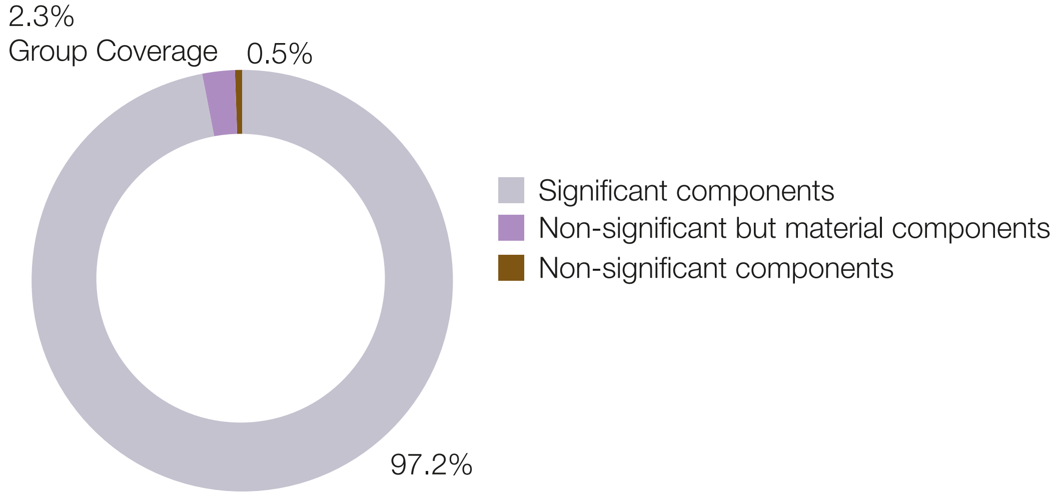
Total unadjusted audit differences reported to the Audit and Risk Committee would have increased net expenditure by £25 million.

Separately, I have estimated £327 million of irregular student loans issued, £130 million of irregular grant spend within the core Department relating to various grant streams, and £216 million of irregular spend within the ESFA.

Audit scope

The scope of my Group audit was determined by obtaining an understanding of the Department and its Group and its environment, including Departmental and Group-wide controls, and assessing the risks of material misstatement at the Group level.

- The Departmental Group consists of the core Department and one significant component, the ESFA. It also has two components, the Office for Students (OfS) and the Construction Industry Training Board (CITB), that contribute to the regularity of grants and loans. These were designated as non-significant but material components for regularity purposes. The remaining Group components are all immaterial by size and activity.
- The ESFA audit focuses on its grant expenditure, and relies on the work of FPMO within the Agency to assess regularity of spend. For the Group audit, we rely on the full audit performed by the ESFA team to assure its grant expenditure and other balances within the ESFA. I also rely on specific procedures around management override by the ESFA team to assure journals with an impact on the Statement of Outturn against Parliamentary Supply (SOPS) impact. The other two components auditors for the Office for Students (OfS) and the Construction Industry Training Board (CITB), performed targeted substantive procedures on grants paid to assure the regularity of grant expenditure only, which I reviewed.



- As part of the Group audit, the Group audit team was involved in the key planning, continuous risk assessment, and completion meetings for the significant component, and were given access to minutes for the non-significant but material components. They also obtained access to all workpapers relating to the significant risks that were relevant at a Group level, including all regularity work. I also specifically instructed that key journals be tested within the ESFA relating to the risk of management override and the manipulation of the SOPS.
- The Statement of Outturn against Parliamentary Supply (SOPS) was audited through reconciliation of all disclosures back to underlying records that were audited. I also assessed the likelihood of management override through procedures seeking to identify any amendments which would avoid a breach of parliamentary control totals.

This work covered substantially all of the Group's assets and expenditure, and together with the procedures performed at Group level, gave me the evidence I needed for my opinion on the Group financial statements as a whole.

Other information

The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility, is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Department and its Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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

- adequate accounting records have not been kept by the Department and its Group or returns adequate for my audit have not been received from branches not visited by my staff; or

- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit is not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Department and its Group from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the Annual Report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the Department and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Department and its Group will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud, is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Department and its Group's accounting policies, key performance indicators and performance incentives.
- inquired of management, the Department's Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department and its Group's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Department and its Group's controls relating to the Department's compliance with the Government Resources and Accounts Act 2000, Managing Public Money, the Supply and Appropriation (Main Estimates) Act 2022, the Education Act 2002, the Education (Student Support) regulations, and the Local Government Act 2003;
- inquired of management, the Department's Head of Internal Audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team including significant component audit teams and internal experts regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Department and its Group for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions, bias in management estimates, manipulation of pupil numbers underpinning grant funding, and the misuse of grants. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Department and Group's framework of authority and other legal and regulatory frameworks in which the Department and Group operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Department and its Group. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2022, Education Act 2002, Education (Student Support) regulations and the Local Government Act 2003.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business;
- I performed substantive procedures to test that grants have been paid out by the Department for Education, and used by recipients, in line with the Department for Education's framework of authorities; and
- I required component auditors to conduct appropriate procedures (testing control operating effectiveness and substantive procedures as relevant, according to the assessed risk levels) to test that grants have been paid out by components, and used by recipients, in line with the Group's framework of authorities.

I also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

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

14 July 2023

PHOTO REDACTED DUE TO THIRD PARTY RIGHTS OR OTHER LEGAL ISSUES

[redacted]

PHOTO REDACTED DUE TO THIRD PARTY RIGHTS OR OTHER LEGAL ISSUES

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2023

		2022-23		2021-22	
		Department & Agencies	Group	Department & Agencies	Group
	Note	£m	£m	£m	£m
Income	3	(383)	(665)	(331)	(551)
Total operating income		**(383)**	**(665)**	**(331)**	**(551)**
Staff costs	4	524	762	474	690
Policy funding:					
resource	5.3	75,926	75,613	70,778	70,452
capital	5.4	5,708	5,804	4,679	4,835
Purchase of goods and services	6.1	235	426	244	425
Depreciation, impairment and other non-cash charges	6.2	309	374	147	201
Total operating expenditure		**82,702**	**82,979**	**76,322**	**76,603**
Net operating expenditure		**82,319**	**82,314**	**75,991**	**76,052**
Finance income		(4)	(23)	3	(16)
Finance expense		49	67	51	71
Other (gains)/losses	7	(23,778)	(23,778)	(3,538)	(3,536)
Net expenditure for the year		**58,586**	**58,580**	**72,507**	**72,571**
Other comprehensive expenditure					
Items that will not be reclassified to net operating costs:					
net gain on revaluation of property, plant and equipment and intangible assets		–	–	–	–
actuarial (gain)/loss on defined benefit pension schemes		–	19	–	(5)
Total other comprehensive expenditure		**–**	**19**	**–**	**(5)**
Comprehensive net expenditure for the year		**58,586**	**58,599**	**72,507**	**72,566**

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

The notes on page 241 to 311 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2023

		2023		2022	
		Department & Agencies	Group	Department & Agencies	Group
	Note	£m	£m	£m	£m
Non-current assets					
Operational assets	8	182	224	304	331
Education sector assets	9	611	611	–	–
Intangible assets		209	280	167	245
Student loans	12	133,788	133,788	94,318	94,318
Other loans	13	152	608	156	638
Investments		58	58	71	71
Receivables	14.2	64	61	75	75
Retirement benefit asset		–	–	–	2
Total non-current assets		**135,064**	**135,630**	**95,091**	**95,680**
Current assets					
Assets held for sale		6	6	61	61
Student loans	12	4,016	4,016	3,624	3,624
Other loans	13	44	84	45	82
Investments		–	–	–	4
Receivables	14.1	784	826	555	582
Cash and cash equivalents	15	694	857	920	1,078
Total current assets		**5,544**	**5,789**	**5,205**	**5,431**
Total assets		**140,608**	**141,419**	**100,296**	**101,111**
Current liabilities					
Payables	16	(2,652)	(2,744)	(2,957)	(3,054)
Lease liabilities	18	(11)	(14)	–	–
Provisions		–	(72)	(53)	(79)
Financial guarantees		(27)	(27)	(30)	(30)
Total current liabilities		**(2,690)**	**(2,857)**	**(3,040)**	**(3,163)**
Total assets less current liabilities		**137,918**	**138,562**	**97,256**	**97,948**
Non-current liabilities					
Payables	17	(957)	(1,431)	(926)	(1,425)
Lease liabilities	18	(141)	(152)	–	–
Provisions		(281)	(243)	(250)	(251)
Financial guarantees		(38)	(38)	(55)	(55)
Retirement benefit obligations		–	(17)	–	–
Total non-current liabilities		**(1,417)**	**(1,881)**	**(1,231)**	**(1,731)**
Assets less liabilities		**136,501**	**136,681**	**96,025**	**96,217**
Taxpayers' equity					
General Fund		136,494	136,554	96,019	96,102
Revaluation Reserve		7	7	6	9
Charitable Fund		–	120	–	106
Total taxpayers' equity		**136,501**	**136,681**	**96,025**	**96,217**

Susan Acland-Hood
Accounting Officer
13 July 2023

The notes on page 241 to 311 form part of these accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2023

		2022-23		2021-22	
		Department & Agencies	Group	Department & Agencies	Group
	Note	£m	£m	£m	£m
Cash flows from operating activities					
Net operating cost	SoCNE	(58,586)	(58,580)	(72,507)	(72,571)
Adjustments for non-cash transactions		(23,467)	(23,413)	(3,444)	(3,405)
Transfers of AuC to academy trusts		36	36	108	108
Decrease/(increase) in inventories		–	–	14	15
(Decrease)/increase in receivables		(218)	(230)	130	198
(Decrease)/increase in payables		(274)	(304)	29	(7)
less movements in payables relating to items not passing through net operating costs		242	264	108	133
Use of provisions		(100)	(122)	(126)	(148)
Utilisation of financial guarantees		(40)	(40)	(36)	(36)
Finance income		(4)	(23)	3	(16)
Finance expense		49	67	51	71
Net cash outflow from operating activities		**(82,362)**	**(82,345)**	**(75,670)**	**(75,658)**
Cash flows from investing activities					
Finance income		4	24	1	20
Purchase of:					
operational assets		(104)	(119)	(81)	(83)
education sector assets		(194)	(194)	–	–
intangible assets		(68)	(91)	(63)	(86)
Proceeds on disposal of:					
property, plant and equipment		–	–	31	34
right-of-use assets		12	12	–	–
intangible assets		–	–	3	27
investments		–	5	–	3
assets held for sale		66	66	30	30
Loan assets (drawn down)/repaid:					
PF2 loan assets		–	40	–	37
student loans		(16,073)	(16,073)	(17,004)	(17,004)
academy trusts		4	4	(4)	(4)
FE sector		6	6	12	12
other loans		–	1	10	–
Net cash outflow from investing activities		**(16,347)**	**(16,319)**	**(17,065)**	**(17,014)**

		2022-23		2021-22	
		Department & Agencies	Group	Department & Agencies	Group
	Note	£m	£m	£m	£m
Cash flows from financing activities					
Finance expense		(49)	(67)	(51)	(71)
Consolidated Fund Supply	DA SoCTE	98,552	98,552	92,694	92,694
(Decrease)/increase in receipts due to the Consolidated Fund		–	–	(1)	(1)
Draw down from the Contingency Fund		7	7	–	–
Repaid to the Contingency Fund		(7)	(7)	–	–
PF2 loan liabilities repaid		–	(22)	–	(25)
Capital element of PFI notional lease		(15)	(15)	(15)	(15)
Capital element of lease payments		(15)	(15)	–	–
Interest element of lease payments		(1)	(1)	–	–
Repayment of long-term investment		11	11	14	14
Net cash inflow from financing activities		**98,483**	**98,443**	**92,641**	**92,596**
Net (decrease)/increase in cash and cash equivalents before adjustment for receipts and payments to the Consolidated Fund		**(226)**	**(221)**	**(94)**	**(76)**
Payments of amounts due to the Consolidated Fund		–	–	1	1
Net (decrease)/increase in cash and cash equivalents after adjustment for receipts and payments to the Consolidated Fund		**(226)**	**(221)**	**(93)**	**(75)**
Cash and cash equivalents at the beginning of the year net of overdrafts		920	1,078	1,013	1,153
Cash and cash equivalents at the end of the year net of overdrafts		**694**	**857**	**920**	**1,078**

The notes on page 241 to 311 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2023

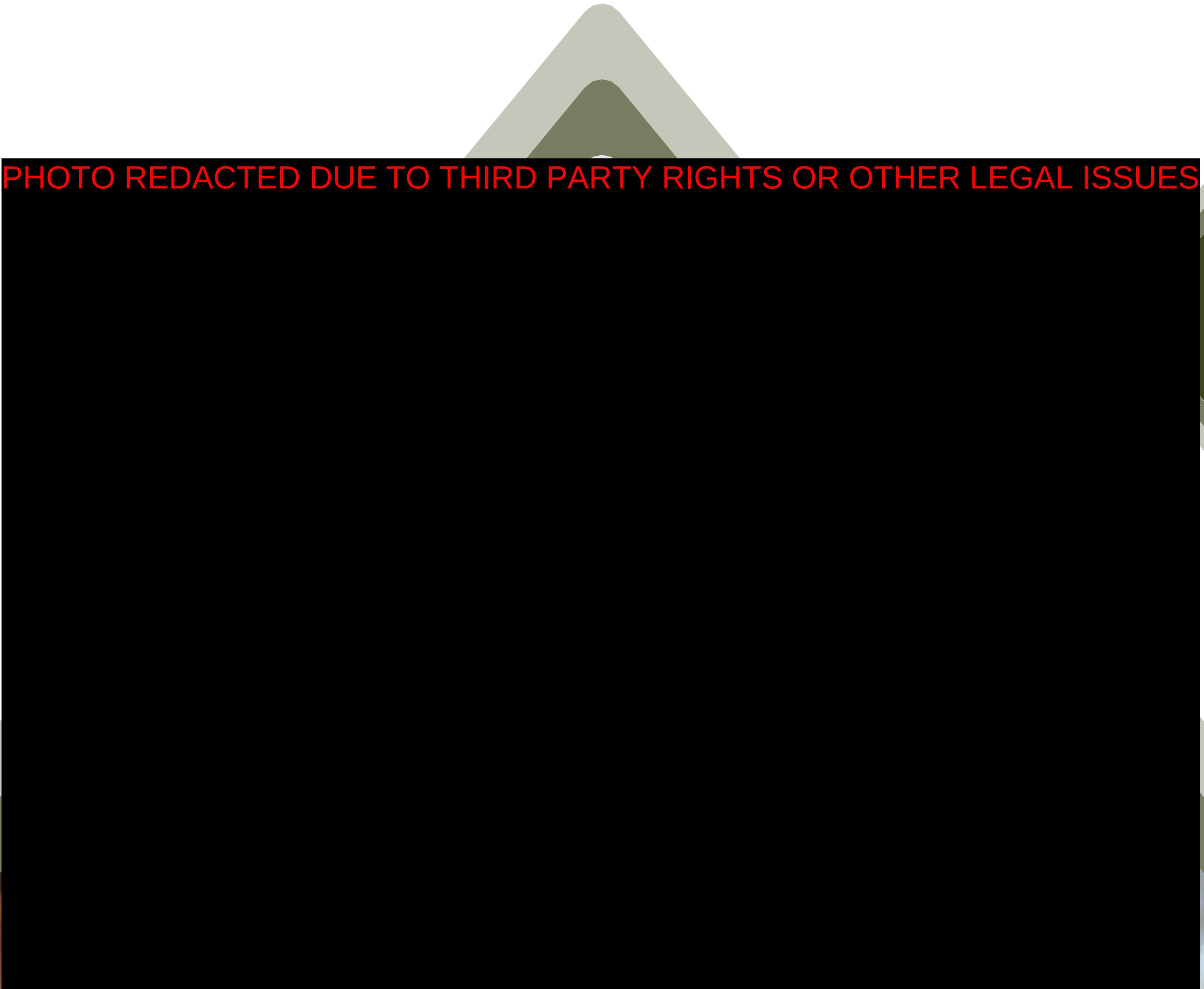
	Note	General Fund £m	Revaluation Reserve £m	Charitable Fund £m	Taxpayers' Equity £m
Balance as at 31 March 2021		**75,846**	**10**	**132**	**75,988**
Net Parliamentary funding					
– drawn down		92,694	–	–	92,694
– deemed		1,012	–	–	1,012
Supply payable adjustment		(920)	–	–	(920)
CFERs payable to the Consolidated Fund		–	–	–	–
Comprehensive expenditure for the year		(72,540)	–	(26)	(72,566)
Non-cash adjustments					
Auditor's remuneration	6.3	1	–	–	1
Movement in reserves					
Transfer between reserves		1	(1)	–	–
Other General Fund movements		8	–	–	8
Balance as at 31 March 2022		**96,102**	**9**	**106**	**96,217**
Cumulative transition adjustments on adopting IFRS 16 Leases		272	–	–	272
Revised balance as at 1 April 2022		**96,374**	**9**	**106**	**96,489**
Net Parliamentary funding					
– drawn down		98,552	–	–	98,552
– deemed		920	–	–	920
Supply payable adjustment		(693)	–	–	(693)
CFERs payable to the Consolidated Fund		–	–	–	–
Comprehensive expenditure for the year		(58,613)	–	14	(58,599)
Non-cash adjustments					
Auditor's remuneration	6.3	1	–	–	1
Movement in reserves					
Other General Fund movements		13	(2)	–	11
Balance as at 31 March 2023		**136,554**	**7**	**120**	**136,681**

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

The Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to operational assets (see note 8) and intangible assets.

The Charitable Fund represents total assets less liabilities related to the Group's training boards less unrealised revaluation adjustments to operational assets (see note 8) and intangible assets.

The notes on page 241 to 311 form part of these accounts.



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Department and Agencies Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2023

	Note	General Fund £m	Revaluation Reserve £m	Taxpayers' Equity £m
Balance as at 31 March 2021		**75,735**	**6**	**75,741**
Net Parliamentary funding				
– drawn down		92,694	–	92,694
– deemed		1,012	–	1,012
Supply payable adjustment		(920)	–	(920)
CFERs payable to the Consolidated Fund		–	–	–
Comprehensive expenditure for the year		(72,507)	–	(72,507)
Non-cash adjustments				
Auditor's remuneration	6.3	1	–	1
Movement in reserves				
Other General Fund movements		4	–	4
Balance as at 31 March 2022		**96,019**	**6**	**96,025**
Cumulative transition adjustments on adopting IFRS 16 Leases		272	–	272
Revised balance as at 1 April 2022		**96,291**	**6**	**96,297**
Net Parliamentary funding				
– drawn down		98,552	–	98,552
– deemed		920	–	920
Supply payable adjustment		(693)	–	(693)
CFERs payable to the Consolidated Fund		–	–	–
Comprehensive expenditure for the year		(58,586)	–	(58,586)
Non-cash adjustments				
Auditor's remuneration	6.3	1	–	1
Movement in reserves				
Other General Fund movements		9	1	10
Balance as at 31 March 2023		**136,494**	**7**	**136,501**

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 operational assets (see note 8) and intangible assets.

The notes on page 241 to 311 form part of these accounts.

Notes to the accounts

1. Accounting policies

These accounts have been prepared in accordance with the 2022-23 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 (GRAA).

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Group for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Group for 2022-23 are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

In addition to the primary statements prepared under IFRS, FReM also requires the Department to prepare an additional primary statement. The SOPS, and supporting notes, show outturn against Supply Estimates in terms of the Group's net resource requirement and the net cash requirement.

1.1 Accounting convention

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

1.2 Going concern

This ARA is produced on a going concern basis. The Department is Supply financed and thus draws the majority of its funding from the Consolidated Fund. Parliament has demonstrated its commitment to fund the Department for the foreseeable future.

1.3 Critical accounting judgements and key sources of estimation uncertainty

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

Management has specifically made such judgements on:

1.3.1 Accounting for capital expenditure and assets under construction

The scale of the Group's capital programme means that accounting for capital expenditure is inherently complex for the Group and involves judgement over the identification of costs to be capitalised as PPE and the timing of de-recognition of AuC related to the academy sector.

Capitalisation of expenditure is reviewed as part of regular monthly controls and the year end process in determining the appropriate direct costs to capitalise for each project in accordance with the requirements of IAS 16 Property, Plant and Equipment (IAS 16) and IFRS 16 Leases (IFRS 16). Assets are initially recognised at cost.

1.3.2 Student loans – accounting classification

Student loans are carried at fair value through profit or loss (FVTPL).

Student loans have characteristics of both financial instruments and insurance contracts. The Group has judged that the loans have and exhibit properties that give rise to them being financial instruments, and so the Group accounts for these as financial instruments in accordance with IFRS 9 Financial Instruments (IFRS 9). The key test in determining which accounting classification (fair value or amortised cost) student loans fall into under IFRS 9 is the solely payments of principal and interest (SPPI) test.

The Group reviewed the repayment terms of student loans in respect of IFRS 9's SPPI test and considers that the repayment cash flows are dependent on the income of the borrower and student loans are written-off when certain events occur, such as death or inability to work. Therefore, the Group has judged that the cash flows are not simply payments of principal and interest and thus student loans have been classified as FVTPL.

1.3.3 Student loans – initial fair value

When student loans are issued they are initially recognised at fair value. There is a difference between the amount advanced to students (transaction value) and the initial fair value of the loans due to the implied sector subsidy within student loans and actual repayment performance. The Department has determined that its valuation technique uses data from unobservable markets (see note 12). Therefore, the financial instruments are considered to be a Level 3 classification as defined in IFRS 13 Fair Value Measurement (IFRS 13). In accordance with IFRS 9's treatment of Level 3 financial assets the difference between transaction value and initial fair value is deferred. The difference is deferred until it is considered that there has been a change in factor that market participants would consider in pricing the student loan asset, when the difference is expensed as part of the fair value movement.

Owing to current government policy in place for student loans, there is an inherent assumption as to the level of repayments expected to be received when issuing new loans. The Group has assessed that market participants would recognise these inherent assumptions within the same year the loans have been issued. Therefore, the initial difference in fair value deferred is subsequently recognised as an in-year remeasurement to the fair value. Net fair value gains and losses are recognised within net operating expenditure.

1.3.4 Student loans – discount rate

The FReM's interpretation of IFRS 9 requires that where future cash flows are discounted to measure fair value, the Group should use the higher of the rate intrinsic to the financial instrument or HMT's current discount rates of RPI-1.3% and RPI-0.2% (RPI-1.1% and RPI-0.2% for 2021-22) applicable to cash flows out to February 2030 and post-February 2030 respectively. The discount rates provided by HMT are based on an analysis of real yields on UK index linked Gilts and are specifically appropriate to central government. The discount rate used to discount expected cash flows to calculate the fair value of student loans is the intrinsic rate of the loan for master's loans.

1.3.5 Student loans – modelling risk

The value of loans issued is calculated using forecasting models which use data on the demographics of higher education and further education students to predict their likely lifetime earnings, and from this their loan repayments. There are different models for borrowers taking different loan types, undergraduate Plan 1 loans and undergraduate Plan 2 loans, and postgraduate Plan 3 loans. The models depend on a complex set of assumptions, in particular about the trajectory of borrowers' earnings. The models are long-term in nature but use the latest OBR short and long-term forecasts for RPI, base rates and earnings growth. The valuation of the student loan book is uncertain as it is highly dependent on macroeconomic circumstances and the estimate of graduate earnings over the next 30-35 years, as well as a number of other assumptions, for around five million borrowers. There is little historic repayment data available for Plans 2 and 3 loans, as they did not enter statutory repayment until 2016.

The assumptions used in the repayment models are formally reviewed each year and the amounts provided reflect the estimate as at the year end. Note 12 provides quantitative disclosures on the impact of assumption variations and more detailed narrative over the different assumptions used.

1.3.6 Revenue recognition through performance obligations

IFRS 15 Revenue from Contracts with Customers (IFRS 15) requires revenue to be recognised when the reporting entity has completed performance obligations stipulated in its contracts with customers.

Management has applied judgement in two main areas:

- to identify performance obligations across IFRS 15 income streams
- to assess how the obligations have been satisfied, at a point in time or across a period of time

Management reviewed the income streams separately and, in each case, identified what the obligations were and how they were satisfied.

1.3.7 Implementation of IFRS 16 Leases – transition approach

FReM requires departments to adopt the cumulative catch-up approach to adopting the new financial reporting standard. Consequently, there was no restatement of prior periods through adopting the new standard, all impacts on prior year reported balances were accounted for as movement in General Fund as at 1 April 2022.

1.3.8 Implementation of IFRS 16 – population of leases to transition

FReM requires departments to apply the practical expedient in identifying agreements to transition to IFRS 16. Departments are not required to make extensive reviews of agreements to identify those agreements in scope of the standard. Only those agreements previously accounted for as a lease are required to be transitioned to IFRS 16 as at 1 April 2022, with peppercorn leases being an exception. The Department based its transition workings on leases accounted for under IAS 17 Leases and disclosed as such in 2021-22 ARA and the population of peppercorn leases.

1.3.9 Implementation of IFRS 16 – peppercorn leases

FReM provides clarity as to the treatment of peppercorn leases, which are brought into scope of the financial reporting standard if they meet the definition of a lease for all other aspects of the agreement. Peppercorn leases are described as leases with nil or significantly below market value rentals.

Management have reviewed the large number of leases with nil consideration entered into by the Department to support the academy sector as both landlord and tenant. Management consider that the agreements provide a degree of control over specified assets with the Department having no practical ability to substitute assets. Therefore, the Department considers the leases are in scope of the standard.

The absence of rental payments resulted in a credit to the General Fund being recognised on the initial recognition of a RoU asset for peppercorn leases as at 1 April 2022.

1.3.10 Implementation of IFRS 16 – short-term leases

FReM removed the choice in accounting for leases of less than twelve months duration (short-term leases). FReM requires all departments to adopt the exemption whereby neither a RoU asset nor finance liability is recognised, instead rentals are expensed as incurred. This means that all leases of less than twelve months duration as at 31 March 2022 retained their existing rental expense accounting approach. New leases entered into during the year of less than twelve months duration are also within the scope of the exemption.

1.3.11 Implementation of IFRS 16 – low value leases

The Group has entered into a small number of leases for office equipment such as printers and franking machines. At transition FReM requires departments to make use of the exemption available in the standard to retain an expense treatment for rentals for leases of assets classified as low value. Low value is not based on a monetary threshold, rather it is an assessment of the asset's inherent value to the reporting body. The standard removes motor vehicles from the scope of the exemption.

Management judges that leased office equipment to be low value in that the assets are ancillary to operation of the Group and the assets are consumable and generic. All office equipment leases have been classified as low value.

1.3.12 Implementation of IFRS 16 – discount rate

FReM contains an interpretation applying to the discount rate applied to a lease's cash flows to calculate the initial lease liability value and thence the right-of-use asset. Whilst the standard requires a lease's inherent discount rate to be applied, FReM allows departments to apply a rate promulgated by HMT annually if they are unable to readily determine a lease's rate.

The Department has taken advantage of this interpretation and applied the discount rate provided by HMT to calculate transition values and the initial values for leases entered into in 2023. The rate is provided annually for leases entered into based on a calendar year, so the value applied at transition was 0.95%, and new leases entered into between January to March 2023 was 3.51%.

1.3.13 Implementation of IFRS 16 – de-recognition of superior asset

Where freehold or leasehold assets (termed parent asset in this ARA) are leased out to third parties IFRS 16 requires an assessment to be made as to the nature of the lease. The assessment is based on the transfer of risks and rewards of ownership between the Department and its tenant. Where leases are judged to transfer the majority of risks and rewards the lease is classified as a finance lease, otherwise leases are considered to be operating leases. The standard does not significantly change lessor accounting.

Where the lease is judged to be a finance lease, the existing asset is de-recognised once the parent asset is judged to be controlled by the tenant. The Department considers control to pass once the lease has been signed with the tenant; or in the case of academy trusts a licence to occupy the site lawfully has been signed prior to signing the final long-term lease. Where the de-recognised parent asset is leased out under a commercial finance lease, a lease receivable will be recognised for the future lease receipts.

Where the lease is judged to be an operating lease the existing asset is reclassified to investment property. Under FReM's adoption of IAS 40 Investment Properties such assets will be held at fair value and not depreciated.

1.3.14 Implementation of IFRS 16 – re-recognition of AuC sites

The final significant adjustment is the re-recognition at 1 April 2022 of leasehold AuC (school developments) previously de-recognised from the Group's SoFP under the previous accounting policy. Management judges that IFRS 16 provides clearer guidance to the recognition of leased and freehold AuC prior to control passing on completion of the outbound lease/licence. The Department recognised an AUC when the development site is secured, which is then developed and ultimately leased to an academy trust.

1.4 Basis of consolidation

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

The Department receives the authority to consolidate its Agencies and NDPBs under the GRAA. A department's Designation Order sets out those bodies that are required to be included within a department's consolidated accounts, since all such bodies are judged to be public bodies.

As permitted by IFRS 10 Consolidated Financial Statements, the results and the financial position of the following NDPBs have been consolidated as at 31 December 2022, which is within three months of the Group's year end:

- Aggregator Vehicle PLC
- Engineering Construction Industry Training Board

Academy trusts have been excluded from the consolidation since 2016-17 following their removal from the Department's accounting boundary into their own standalone ARA. The Department publishes the academy sector ARA (SARA) separately.

The FE sector has been excluded from this consolidated ARA under the terms of derogation to consolidate issued by HMT. The Department continues to work with HMT to design the final consolidation route for the sector.

1.4.1 Movement in Departmental bodies

The Department launched its new NDPB, Oak National Academy, from 1 September 2022. The body is immaterial to Group reporting.

In addition, the Department implemented the findings of the ESFA Review from 1 April 2022 which resulted in some operations transferring from ESFA to the core Department. The transfer was wholly within the Department & Agencies sub-consolidation so has no practical effects on reporting in this ARA.

1.5 Adoption of FReM amendments

The Group has adopted IFRS 16 from 1 April 2022. As per the FReM adoption of the standard, the Group has chosen the cumulative catch-up approach, so no restatement has been made to prior year balances. Note 1.12 has more detail about the adoption.

1.6 Early adoption

The Group has not early adopted any accounting standards in 2022-23.

1.7 IFRSs in issue but not yet effective

To comply with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Group must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Group has carried out a review of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment.

1.7.1 IFRS 17 Insurance Contracts (IFRS 17)

Effective for annual periods beginning on or after 1 January 2023. It has not yet been decided when FReM will adopt the standard for government financial reporting and what amendments or interpretations may be necessary.

The standard makes changes to how insurance contracts are accounted for and may in certain circumstances widen the scope of which financial positions are judged to be in-scope for the standard than those caught by IFRS 4 Insurance Contracts (IFRS 4). However, prior to adoption by FReM the final version for the standard applicable to the Group has still to be decided.

The Group adopts insurance accounting for its risk protection arrangement (RPA) for schools and academies. However, RPA activities are immaterial to the Group's financial reporting, so we do not expect a material impact once IFRS 17 is introduced.

1.8 Segmental reporting

In accordance with IFRS 8 Operating Segments (IFRS 8), the Group has considered the need to analyse its income and expenditure relating to operating segments. The Group has assessed that all lines of operation fall within the same geographical location and regulatory environment as envisaged by IFRS 8.

See note 2 for operational disclosures.

1.9 Income

Group income is authorised in the Supply Estimates (such as general administration receipts and income from other departments) and may include income to the Consolidated Fund that HMT has agreed should be retained by the Group and treated as operating income.

Income is stated net of recoverable VAT where applicable.

The Group receives the following income streams and accounts for them as follows:

1.9.1 Revenue from contracts (IFRS 15)

Revenue is recognised once the Group has completed performance obligations. The nature of the obligations differs between contract types.

Levy income

Levy income is collected from construction and engineering sector employers under statute by CITB and ECITB based on an annual assessment period. Payment of the levies does not create additional rights to construction sector employers from the Group.

In the absence of additional rights to employers, satisfaction of levy performance obligations is judged to occur at a point in time rather than across the levy period. Consequently, levy income is not deferred or accrued across the levy year. Levy income is fully recognised immediately on raising of the annual assessments.

Where doubts arise over collectability of levy income either through ageing, past experience, or other known factors, an impairment allowance is recognised.

The Group does not recognise apprenticeship levy income. The apprenticeship levy is collected and accounted for by HMRC as tax.

Registration fees

Annual registration fees are collected from social care professionals by SWE and higher education providers by OfS. Both Group bodies have been given authority to retain such income to offset against their expenditure, with OfS up to an annually approved limit. Amounts received by OfS above their annual limit are passed to the Exchequer.

In contrast to the levy income above, registration fee satisfaction is judged in both cases to occur across the registration year. The health care practitioner consumes the benefit of registration over time through being able to operate in the sector. Higher education providers (HEPs) consume the benefit through continued operation as an authorised provider who is able to offer student loans to its student body. Accordingly, registration fee revenue is deferred and recognised evenly across the year.

Where doubts arise over collectability of registration fees either through ageing, past experience, or other known factors, an impairment allowance is recognised.

Capital contributions

The Group has standardised the specification of new school buildings. In some instances, the Group will agree with a school's authorised body (such as LA, academy trust and foundation body) for their new premises to exceed the standards. In such cases a capital contribution will be agreed with the body.

The Group has judged that the completion of the additional design specification is indivisible from the overall school construction programme. Consequently, the Group considers that the performance obligation is satisfied continually over the course of the build phase.

Capital contributions are initially deferred and recognised evenly over the construction phase.

Sales of goods and services

The Group sell goods and services, such as tests and training. Performance obligations for these transactions are completion of training or despatch of goods. There is no significant timing difference between satisfaction of performance obligations and receipt of income. Revenue recognition is immediate.

Master servicer fee

The Group has retained the servicer function for the portfolios of student loans sold under the previous policy to sell student loans. While both sold portfolios have separate servicer fee agreements, they are similar in structure.

For both agreements, the Group has identified two separate performance obligations:

- completion of the day-to-day servicing of loans, which stretches out for a further twelve months beyond each annual servicing period ending on 31 March
- payment of the loan repayments to each loan sale counterparty in July the year after each servicing year ending in March

Management considers the first performance obligation to be satisfied on an ongoing basis since the benefit of the actions are consumed by the customer as completed. Revenue arising from the normal servicing activities is deferred over each two-year cycle. Management judges the second obligation to be settled at a point in time, when cash is moved, and so revenue for these activities is recognised in July when received.

1.9.2 Grant income (IAS 20)

The Group receives grant income from other government bodies (both UK and the European Commission) which are accounted for under IAS 20 through the non-deferral option. The income relates to programmes jointly funded by the Group and other departments or governments.

Grant income is matched to the expenditure profile for each project concerned. Income not matched to expenditure at the end of the financial year is transferred to deferred income. If expenditure exceeds income, an accrual may be made for the balance of the income.

1.9.3 Risk protection arrangement (IFRS 4)

The Group operates a self-insurance arrangement for the academy sector and LA maintained schools. Income is recognised for claim cover years.

1.10 Grant financing and Grant-in-Aid

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

1.11 Policy funding

1.11.1 Grants and other policy funding payable

Funding expenditure to support the Group's policy aims is delivered in two main ways:

- grant funding payable under legislation, such as National Funding Formula payments funding maintained schools and academies
- other, such as contractual payments to providers, for example apprenticeship training providers

Recognition of the entitlement of grant or other funding varies according to the individual programme.

Grant funding

The majority of grants made by the Group are recorded as expenditure in the period in which the allocation or claim is paid, as the grant funding cannot be directly related to activity in a specific period and is not designed to, in line with legislation. The allocations or claims are deemed the only appropriate and measurable activity that truly creates an entitlement for the recipient.

Accruals accounting is adopted where timing gaps are known between entitlement and payment, or where entitlements can be quantified with a degree of certainty in a given year. In such circumstances, the grant expense is accrued in the SoCNE and shown as a liability on the SoFP.

Other funding

Some policy funding is made in accordance with contractual agreements rather than legislation. One example is apprenticeship training provision, whereby the Group enters into contracts with providers to support their training costs. In addition, for a number of programmes funding is only provided on evidence of completed funded activities. For instance, attendance of apprentices at monthly training sessions.

Accruals accounting is adopted for contractual funding owing to the higher degree of certainty of the Group's obligations.

1.11.2 Recoveries

Grants and other funding may generate overfunding or unspent amounts described below. Where recoveries of overfunding or unspent amounts cross a year end a receivable will be recognised to reflect the unrecovered amount. The Group does not recognise a prepayment if the end user has not spent the grant due to timing or delays.

Overfunding

Sometimes the Group pays recipients according to a payment profile established before the final grant obligation is known. Overfunding can occur when the payment profile based on the initial assessment is larger than the final obligation, which results in accelerated funding prior to the grant obligation being finalised.

Unspent amounts

In certain circumstances recipients may be unable to apply time-bound grants as intended, which means funds may be left unspent after the stipulated timescale. The Group may choose to recover such unspent amounts.

Recovery approach

The Group's preferred options to recover overfunding and unspent amounts are through reprofiling future grant payments (within the same grant programme) or deducting-at-source against other grant payments.

When identification of overfunding is early enough in the grant period, recovery through reprofiling will occur within the same grant period. If identification of overfunding is later in the grant period, recovery will occur in the next grant cycle with a year end receivable being recognised if applicable. This approach is suited to annual grants which are paid evenly across a year, such as general annual grant funding to academies.

Where reprofiling is not available, predominantly one-off grant payments, the Group will apply a deduction-at-source to other grant payments to recover funds. Such deductions do not alter either grant obligations, simply a reduction in the funds transferred to the recipient. The Group will gross up the amended grant payment by the deduction to recognise the correct value of both grants.

If reprofiling or deduction-at-source are not suitable, due to an absence of suitable future grant payments to deduct against, a claim will be made to the third party.

1.12 Leases

IFRS 16 Leases which was implemented from 1 April 2022; introduces a single lessee accounting model (removing the previous IAS 17 distinction between operating and finance leases) that requires a lessee to recognise right-of-use assets and financing liabilities for all leases (apart from the exemptions included below).

The definition of a lease has been updated under FReM's adoption of IFRS 16, there is more emphasis on being able to control the use of an asset identified in a contract and contract has been extended to include non-actionable intra-government agreements – including peppercorn leases.

1.12.1 Implementation and assumptions

The Group has applied IFRS 16 using the modified retrospective approach. The cumulative effect of adopting the standard is included as an adjustment to equity at the beginning of the reporting period at implementation (1 April 2022).

The option to reassess whether a contract is, or contains, a lease at the date of initial application has not been used, the Group has used the practical expedient detailed in IFRS 16(C3).1.

The definition of a contract is expanded to include intra-government agreements where non-performance may not be enforceable by law. This includes, for example, Memorandum of Terms of Occupation agreements with GPA.

FReM has also expanded the definition of a lease to include arrangements with nil consideration, here called peppercorn leases. Peppercorn leases are defined by HMT as lease payments significantly below market value or at nil consideration. These assets are fair valued on initial recognition. On transition any differences between the discounted lease liability (for below market rate leases but not for peppercorn leases which have no financing) and the right-of-use asset were included through cumulative catch up. Any differences between the lease liability and right of use asset for new leases after implementation of IFRS 16 are recorded as capital grant-in-kind income in the SoCNE.

The Group has elected not to recognise right-of-use assets and lease liabilities for the following leases:

- intangible assets
- non-lease components of contracts where applicable
- low value assets
- leases with a lease term of 12 months or less

1.12.2 Policy applicable from 1 April 2022

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time. This includes assets for which there is no consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset
- the Group has the right to obtain substantially all of the economic benefit from the use of the asset throughout the period of use
- the Group has the right to direct the use of the asset

The policy is applied to contracts entered into, or changed, on or after 1 April 2022.

At inception, or on reassessment, of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone prices. The Group assesses whether it is reasonably certain to exercise break options or extension options at the lease commencement date. The Group reassesses this if there are significant events or changes in circumstances that were not anticipated.

As a lessee

Right-of-use assets

The Group recognises a right-of-use asset (RoU asset) and lease liability (if a commercial lease) at the commencement date. The RoU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for initial direct costs, prepayments or incentives, and costs related to restoration at the end of a lease. The initial value for peppercorn leases of free school development sites is found from a depreciated replacement cost of the land element of the leased asset.

RoU assets are subsequently measured at either fair value or current value in existing use in line with property, plant and equipment assets. The cost measurement model in IFRS 16 is used as an appropriate proxy for current value in existing use or fair value for the majority of leases (consistent with the principles for subsequent measurement of property, plant and equipment) except for those which meet one of the following:

- a longer-term lease that has no provisions to update lease payments for market conditions or if there is a significant period of time between those updates

- the fair value or current value in existing use of the underlying asset is likely to fluctuate significantly due to changes in market prices

Operational RoU assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the RoU asset or the end of the lease term. The estimated useful lives of the RoU assets are determined on the same basis of those of property, plant and equipment assets. The Group applies IAS 36 Impairment of Assets to determine whether the RoU asset is impaired and to account for any impairment loss identified.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that cannot be readily determined, the rate provided by HMT. The HMT discount rates were 0.95% for leases entered into prior to 31 December 2022 and 3.51% in calendar year 2023. Therefore, the rate applicable to existing leases as at 1 April 2022 was 0.95%.

The lease payment is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in the index or rate, if there is a change in the Group's estimates of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index rate as at the commencement date

When the lease liability is re-measured a corresponding adjustment is made to the RoU asset or recorded in the SoCNE if the carrying amount of the right of use asset is £nil.

The Group presents RoU assets that do not meet the definition of investment properties per IAS 40 Investment Properties as RoU assets on the SoFP. The lease liabilities are included within lease liabilities within current and non-current liabilities on the SoFP.

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not then it is an operating lease.

When the Group is the intermediate lessor, it accounts for its interest in the head lease and the sublease separately. If a head lease is a short-term lease to which the Group applies the exemption above, then the sublease classifies as an operating lease.

The Group recognises lease receipts under operating leases as income on a straight-line basis over the length of the lease terms.

The accounting policies applicable to the Group as lessor are largely unchanged by IFRS 16 except for reviews of intermediate lessor arrangements. The changes for IFRS 16 were not material for lessor arrangements.

1.13 Property, plant and equipment

The minimum level of capitalisation for expenditure on property, plant and equipment ranges between £500 and £10,000 across the Group. In the case of IT equipment and furniture, all items recorded as capital expenditure are capitalised and if they fall below the capitalisation threshold they are grouped together and recorded as bulk assets. The asset value on capitalisation is measured at cost plus all direct costs, such as installation, attributable to bringing them into working condition.

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

One of the Group's purposes is to fund the acquisition of premises or sites that, ultimately, academy trusts will use. The Group will also fund all the required construction works and associated professional services needed to bring the premises or sites into use. The development site will be recognised by the Group as freehold AuC until such time as the site is complete when it will be leased to an academy trust and de-recognised from the Group's SoFP.

The Group measures the value of AuC at cost plus direct costs directly attributable to bringing the assets into working condition in line with IAS 16. Direct costs include all costs associated with purchasing the land and property and bringing the assets into use, and a fair proportion of the Group's internal costs. Additional funds to complete development are recognised as capital grants-in-kind.

Where circumstances existing prior to the year end indicate that AuC cannot be opened as an academy, or previously operational sites are closed and returned to Group control, and will be sold on the open market, then an asset will be recognised and treated under IFRS 5 Assets held for Sale and Discontinued Operations. In that case, any difference between carrying value and fair value would be recognised as an in-year impairment and the asset presented separately.

If a project ceased, or an asset became surplus through circumstances not yet existing at the year end, the changes in asset treatment would not take effect until the following financial year.

1.14 Depreciation

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

Asset lives are in the following ranges:

- property – up to 60 years, or the lease term (whichever is shorter)
- other PPE – 3 to 20 years, or the lease term (whichever is shorter)

1.15 Financial instruments

The Group applies IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IFRS 9. Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument.

1.15.1 Financial assets

Financial assets include cash and cash equivalents, trade and other receivables and loans. The Group determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at FVTPL, directly attributable costs. The Group does not hold derivative financial instruments.

The subsequent measurement of financial assets depends on their classification into IFRS 9's three categories: amortised cost, FVTPL and fair value through other comprehensive income.

Amortised cost

Financial assets classified as amortised cost include:

- **Trade and other receivables** which have fixed or determinable payments that are not quoted on an active market. They do not carry any interest.
- **Non-student loans** which comprise loans judged to have passed the SPPI test, are not traded on any active market and are expected to be held until maturity.
- **Cash and cash equivalents** comprise cash in hand and on demand deposits.

Where there are restrictions upon the Group's ability to access cash, for example through being held in escrow with a solicitor pending a transaction, the Group discloses these restrictions separately in the notes to the accounts. However, in accordance with IAS 7 Statement of Cash Flows the Group continues to present balances as cash in the SoFP and Statement of Cash Flows.

The above asset types are subsequently recognised at amortised cost using the effective interest method. Carrying values are based on initial fair value adjusted for interest charges and repayments. Appropriate impairment allowances for estimated irrecoverable amounts are recognised in the SoCNE based on expected losses for a particular asset, or group of assets.

The impairment allowance recognised is measured as the difference between the asset's carrying amount and the estimated future recoverable amount.

Fair value through profit or loss

Financial assets at fair value through profit or loss include:

- **Student loans** have been classified to FVTPL because management considers the loans to fail the solely payments of principal and interest test due to the loans' terms and conditions.

  Student loans suffer an immediate fair value loss due to the difference between the initial fair value of new loans and their transaction price at issue. Such fair value losses are deferred to SoFP since student loans are classified as Level 3 per IFRS 13's hierarchy. Deferred balances are then expensed as part of the loans' first year end fair value re-assessment.

  More information about the measurement techniques used to determine the fair value of student loans is provided in note 12.

- **Investments**, the Group holds quoted investments which are recognised at fair value. Fair value is calculated as the closing bid price as at the year end. Movements in the fair value are recognised in profit and loss.

  As well as quoted investments, the Group also holds a retention note issued by the body that acquired student loans sold in December 2018. The asset is held to fulfil regulatory requirements and cannot be sold over the life of the securitised student loans. In accordance with IFRS 9, the note is designated as FVTPL due to the underlying pool of financial assets (student loans) being designated as FVTPL.

The above asset types are subsequently measured at fair value, with annual movements in fair value being recognised in profit and loss. Fair value movements are recognised as gains or losses in note 7.

1.15.2 Financial liabilities

Financial liabilities are measured at amortised cost. Financial liabilities include trade and other payables and loans. The Group does not currently have financial liabilities measured at FVTPL and neither does it have complex derivative financial instruments. Financial guarantees are designated to FVTPL on inception. The Group determines the classification of its financial liabilities at initial recognition.

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

- **Trade and other payables**, excluding non-contractual accruals, are generally not interest bearing and are stated at their face value on initial recognition. Subsequently, they are measured at amortised cost.

- **Loan liabilities**, the Group holds both interest bearing and non-interest bearing loans. The Group states such loans at their face value on initial recognition. Subsequently, the Group measures interest bearing loans at amortised cost, which includes all direct costs associated with the loans.
- **Financial guarantees**, are initially recognised at fair value on the date that the guarantee was given in accordance with IFRS 9. Subsequent measurement is at the higher of:
  - the amount of the equivalent IFRS 9 expected credit loss allowance
  - the amount initially recognised less cumulative effect of income recognised

1.16 Contingent liabilities

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

1.17 Value added tax

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

1.18 Service concession arrangements

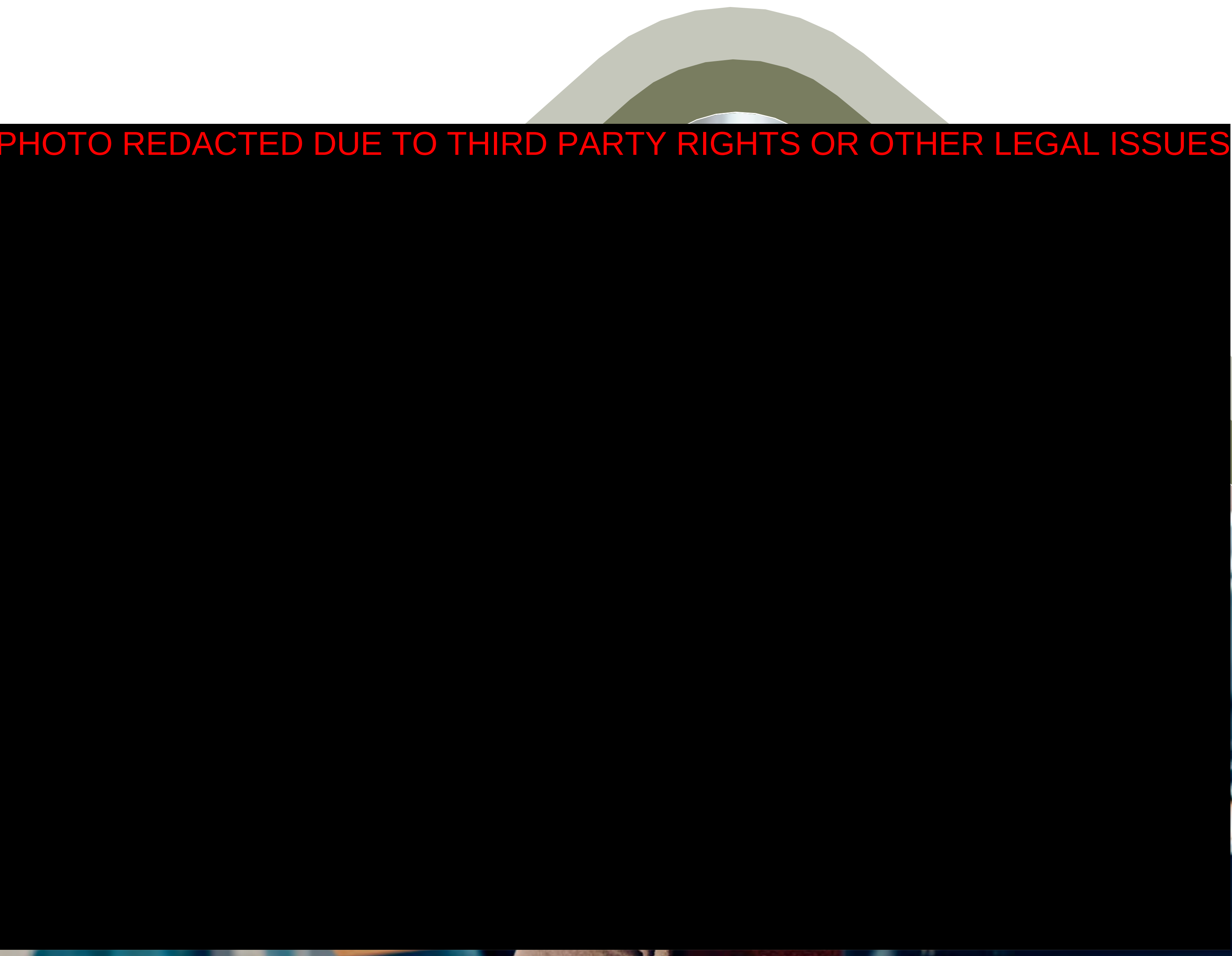
Under a service concession arrangement, a government entity contracts with the private sector to construct, operate and maintain public sector infrastructure; allowing the private sector to deliver services directly or indirectly to the public. However, the government entity retains control, or regulates, the services provided (including access fees) and controls significant residual interest in the infrastructure at the completion of the arrangement.

The Group has adopted IFRIC 12 Service Concession Arrangements (IFRIC 12), as interpreted by the FReM, acting as the grantor to account for the 46 schools the private sector will construct and then operate for the Group under the Private Finance 2 (PF2) scheme over a 25-year period. The transaction was part of the wider Priority Schools Building Programme (PSBP) that addressed condition issues across the school estate. Within these accounts the transaction is referred to as PF2.

The assets constructed under the terms of PF2 are not recognised by the Group. In accordance with the Group's existing asset recognition approach for PSBP assets, the Group does not recognise school assets being constructed under PSBP (including PF2). The Group does not judge any economic benefit to flow to the Group from the PSBP assets during and after construction. The Group instead recognises the value of the assets during construction as capital grants-in-kind.

IFRIC 12 application also results in the Group recognising the financing liability arising from constructing the assets originally. The financing liability is repaid over the term of the service concession arrangement through the unitary charges settled by the Group.

Interest on the financing liability and expenditure on services provided under the service concession arrangement are recognised in the SoCNE as they accrue. Unitary charges are apportioned between three elements: an element to pay for services; an element to pay interest on the liability and an element to repay the financing liability.



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2. Statement of operating costs by operating segment

Information on operating activities, financial results, forecasts and plans is presented to and reviewed by the Leadership Team to support the focus on families, schools and skills and the Group's Supply Estimates are also structured in this way.

The majority of the lines of operation fall within the same geographical location and regulatory environment. Segmental analysis of the Group's assets and liabilities are not reviewed by management and consequently are not provided here.

The segmental report shown below links expenditure within the Group structure to note S1 and covers the Group's total resource and capital outturn for the year.

2.1 Segmental analysis

			2022-23			2021-22
	Gross expend'e	Income	Net expend'e	Gross expend'e	Income	Net expend'e
				(Restated)	(Restated)	(Restated)
	£m	£m	£m	£m	£m	£m
Families Group	5,042	(1)	5,041	4,820	(1)	4,819
Schools Group	62,814	(345)	62,469	57,614	(200)	57,414
Skills Group	28,114	(12,881)	15,233	39,402	(8,041)	31,361
Regions Group	206	–	206	109	–	109
Strategy Group	194	(9)	185	144	(7)	137
Operations and Infrastructure Group	602	(119)	483	865	(278)	587
	96,972	**(13,355)**	**83,617**	**102,954**	**(8,527)**	**94,427**

From the 1 April 2022 the Department operated through a revised set of business groups following the conclusion of the Future DfE transformation programme. Comparative information has been restated to reflect the current year business groups.

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2.2 2021-22 segmental analysis restated

	Restated presentation			Original presentation		
	Gross expend'e	Income	Net expend'e	Gross expend'e	Income	Net expend'e
	£m	£m	£m	£m	£m	£m
Families Group (was Children's Services, Communications and Strategy Group)	4,820	(1)	4,819	427	(1)	426
Schools Group (was Early Years and Schools Group)	57,614	(200)	57,414	61,394	(257)	61,137
Skills Group (was Higher Education and Further Education Group)	39,402	(8,041)	31,361	36,820	(8,045)	28,775
Regions Group	109	–	109	–	–	–
Strategy Group	144	(7)	137	–	–	–
Operations and Infrastructure Group (was Operations Group)	865	(278)	587	768	(204)	564
Education and Skills Funding Agency	–	–	–	2,763	(20)	2,743
COVID Response and Recovery Group	–	–	–	782	–	782
	102,954	**(8,527)**	**94,427**	**102,954**	**(8,527)**	**94,427**

The table above restates the prior year's segmental analysis to the business groups in use this year. The main movements were as follows:

- apprenticeship funding moved from ESFA to Skills Group
- early years entitlements moved from EYSG to Families Group

2.3 Reconciliation between operating segments and SoCNE

2.3.1 2022-23

	Net expenditure per segmental analysis	Reconciling items		Net costs per SoCNE
		Income & gains	Expenditure	
	£m	£m	£m	£m
Families Group	5,041	–	(3)	5,038
Schools Group	62,469	248	(306)	62,411
Skills Group	15,233	3,978	(28,879)	(9,668)
Regions Group	206	–	(7)	199
Strategy Group	185	–	–	185
Operations and Infrastructure Group	483	29	(97)	415
	83,617	**4,255**	**(29,292)**	**58,580**

The reconciling items are transactions which are correctly included in budgetary outturn in note 2.1 but do not result in SoCNE entries. Transactions are primarily annual movements in non-current assets (loans, PPE and intangible assets), the significant movements being:

- Schools Group includes (see note 9):
  - £53 million of the transfer of AuC to academy trusts for use as free schools, recognised as asset disposals
  - £65 million disposal of AuC as part of the free school programme
  - £60 million disposal of investment property
- Skills Group includes in relation to student loans:
  - £4.0 billion of student loan repayments, recognised as loan asset repayments
  - £20.0 billion of student loan advances and £8.8 billion capitalised loan interest (accounted for as part of the annual fair value gain), which are both recognised as loan asset additions

2.3.2 2021-22 restated

	Net expenditure per segmental analysis	Reconciling items		Net costs per SoCNE
		Income & gains	Expenditure	
	£m	**£m**	**£m**	**£m**
Families Group	4,819	–	(2)	4,817
Schools Group	57,414	154	(127)	57,441
Skills Group	31,361	3,058	(24,966)	9,453
Regions Group	109	–	(4)	105
Strategy Group	137	–	–	137
Operations and Infrastructure Group	587	186	(155)	618
	94,427	**3,398**	**(25,254)**	**72,571**

2.3.3 2021-22 as previously presented

	Net expenditure per segmental analysis	Reconciling items		Net costs per SoCNE
		Income & gains	Expenditure	
	£m	**£m**	**£m**	**£m**
Children's Services, Communications and Strategy Group	426	–	(2)	424
Early Years and Schools Group	61,137	191	(131)	61,197
Higher Education and Further Education Group	28,775	3,058	(24,950)	6,883
Education and Skills Funding Agency	2,743	17	(17)	2,743
COVID Response and Recovery Group	782	–	–	782
Operations Group	564	132	(154)	542
	94,427	**3,398**	**(25,254)**	**72,571**

2.4 Future DfE changes

As described in the Performance Report under Operational Structure, the Department has completed a review of its structure and concluded change was needed to better service its many stakeholders. From 1 April 2022 the Group's business segments were as shown below, and although there is no direct link between the groups there is some overlap:

2021-22 business segment	2022-23 business segment
Children's Services, Communications and Strategy Group led by Indra Morris	Families Group led by Indra Morris
Early Years and Schools Group led by Andrew McCully	Schools Group led by Andrew McCully
Higher Education and Further Education Group led by Paul Kett	Skills Group led by Julia Kinniburgh
Education and Skills Funding Agency led by John Edwards	No longer a segment
COVID Response and Recovery Group led by Julia Kinniburgh	No longer a segment
Operations Group led by Mike Green	Operations and Infrastructure Group led by Jane Cunliffe
No equivalent 2021-22 segment	Regions Group led by John Edwards
No equivalent 2021-22 segment	Strategy Group led by Tony Foot

ESFA remains an executive agency of the Department but is no longer a business group and reports through the Operations and Infrastructure Group.

3. Income

3.1 Revenue analysis

		2022-23		2021-22
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Income from contracts				
Levy income	–	196	–	137
Fees and charges	43	82	45	83
Sale of goods and services	3	48	3	46
Capital contributions	51	51	30	32
Other income	9	10	–	–
Grant income				
Funds from other government departments	91	92	75	75
European Union funding	100	100	106	106
Other income				
RPA income	84	84	71	71
Rental income	2	2	1	1
	383	**665**	**331**	**551**

Funds from other government departments relates mainly to income from Department of Health and Social Care for jointly managed projects.

Included within income from contracts is £8 million deferred from the prior year (2021-22: £7 million) and recognised in the opening contract liability. EU funding recognised above represents more than 10% of total revenue and is reported by the Skills Group segment in note 2.

3.2 Revenue streams

3.2.1 Levy income

Levy income is raised by the Group's training boards from employers in the construction and engineering sectors. Employers' levy charges are assessed by applying the statutory levy rate to employers' annual salary bills. Both levies are used by the training boards to fund training in their specific sectors. Employers who are assessed for either levy do not receive additional rights to training, training is open to all sector employers irrespective of levy charges.

3.2.2 Registration fees

Annual registration fees are raised from social care professionals and higher education providers to allow them to perform their duties in their respective fields. Practitioners are required to register with the Group each year to receive authorisation to practice. Under the Higher Education and Research Act 2017, HEPs are required to register with their regulator if they wish to:

- access public grant funding (such as funding to support teaching), and/or student support funding (such as enabling students at a provider to access student finance)
- apply to the Home Office for a student sponsor licence to recruit international students, or to maintain an existing licence
- apply for degree awarding powers in order to award their own degrees, and/or university title

3.2.3 Sales of goods and services

Revenue arises from the sale of training materials to third parties and the supply of health and safety tests. In both areas the Group assesses the completion of performance obligations to be the supply of either goods or tests (mostly on-line). Both areas have no significant delay between satisfaction of obligations and recovery of fees. Therefore, income is not deferred but recognised immediately.

3.2.4 Capital contributions

The Group is investing into the school estate through its Priority Schools Building Programme and Free School programme. The Group applies standard design specifications to projects to drive value for money and efficiency. However, LAs and academy trusts are able to amend the standard design specifications at their cost. Once revised designs have been agreed and costed the Group will raise an invoice to recover the additional funds.

The Group considers that the performance obligation is met during construction of the school buildings, the customer consumes the benefit as their asset is constructed. Consequently, income received from LAs is deferred to the SoFP and revenue is recognised evenly over the construction period.

3.2.5 Risk protection arrangement fees

Fees received from schools through membership of the risk protection arrangement are accounted for through IFRS 4. Fees are recognised evenly over the cover period of September to August.

4. Staff costs

Disclosures relating to staff numbers and costs are detailed within the Remuneration and Staff Report.

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5. Policy funding

5.1 Summary

	2022-23		2021-22	
	Department & Agencies	Group	Department & Agencies	Group
			(Re-presented)	
	£m	£m	£m	£m
Resource spending				
Families Group	4,941	4,950	4,736	4,743
Schools Group	57,095	57,095	53,137	53,137
Skills Group	11,846	13,323	10,988	12,426
Regions Group	115	115	30	30
Strategy Group	109	109	67	67
Operations and Infrastructure Group	21	21	47	49
Grant-in-aid	1,799	–	1,773	–
	75,926	**75,613**	**70,778**	**70,452**
Capital spending				
Families Group	19	19	3	3
Schools Group	5,151	5,151	4,223	4,223
Skills Group	440	534	199	351
Regions Group	37	37	54	54
Strategy Group	–	–	–	–
Operations and Infrastructure Group	61	63	200	204
	5,708	**5,804**	**4,679**	**4,835**

Prior year disclosures have been re-presented following the change in business groups. Individual programme spending has not been changed, the change is limited to which business group the spending is reported through.

5.2 Re-presentation of 2021-22

The table below presents policy spending as previously disclosed re-mapped to the Group's new business groups.

	Department & Agencies		Group	
	Previously reported	Re-presented	Previously reported	Re-presented
	£m	£m	£m	£m
Resource spending				
CSCSG	347	–	354	–
Families Group	–	4,736	–	4,743
EYSG	56,808	–	56,809	–
Schools Group	–	53,137	–	53,137
HEFE	8,618	–	10,058	–
Skills Group	–	10,988	–	12,426
ESFA	2,455	–	2,454	–
Operations Group	26	–	26	–
Operations and Infrastructure Group	–	47	–	49
CRRG	751	–	751	–
Regions Group	–	30	–	30
Strategy Group	–	67	–	67
Grant-in-aid	1,773	1,773	–	–
	70,778	**70,778**	**70,452**	**70,452**
Capital spending				
CSCSG	3	–	3	–
Families Group	–	3	–	3
EYSG	4,275	–	4,276	–
Schools Group	–	4,223	–	4,223
HEFE	81	–	232	–
Skills Group	–	199	–	351
ESFA	133	–	133	–
Operations Group	187	–	191	–
Operations and Infrastructure Group	–	200	–	204
CRRG	–	–	–	–
Regions Group	–	54	–	54
Strategy Group	–	–	–	–
	4,679	**4,679**	**4,835**	**4,835**

5.3 Resource

	2022-23		2021-22	
	Department & Agencies	Group	Department & Agencies	Group
			(Re-presented)	
	£m	£m	£m	£m
Families Group				
Early years entitlements	3,651	3,651	3,547	3,547
Free school meals	608	608	611	611
Life Skills, Disadvantaged and SEND	254	254	194	194
Children's social care	99	99	44	44
Children in care	46	46	94	94
Other spending	199	199	167	167
Support costs	84	93	79	86
Schools Group				
National funding formula	41,956	41,956	39,125	39,125
High needs funding	8,820	8,820	7,561	7,561
Pupil premium	2,685	2,685	2,506	2,506
PFI revenue grant	752	752	752	752
High needs funding (16-19)	678	678	654	654
Core 16-19 funding	546	546	566	566
Primary sport premium	325	325	326	326
National Tutoring Programme	227	227	216	216
Ukraine education grant	171	171	–	–
School curriculum	157	157	156	156
Other spending	538	538	1,118	1,118
Support costs	240	240	157	157
Skills Group				
Core funding	6,586	6,586	5,957	5,957
Apprenticeships	2,430	2,430	2,423	2,417
Adult education budget	1,447	1,447	1,433	1,433
Teaching grant	48	1,404	47	1,362
HE student support grants	607	607	549	549
Bursary funding	210	210	206	206
Other spending	441	554	337	438
Support costs	77	86	36	64
Regions Group				
Other spending	93	93	30	30
Support costs	22	22	–	–
Strategy Group				
Other spending	54	54	50	50
Support costs	55	55	17	17
Operations and Infrastructure Group				
Other spending	15	15	24	26
Support costs	6	6	23	23
Grant-in-aid	1,799	–	1,773	–
	75,926	**75,613**	**70,778**	**70,452**

5.3.1 Significant funding streams

National Funding Formula (NFF)

NFF is used to allocate funding to mainstream, state-funded schools. The majority of funding that goes through the schools NFF is 'pupil-led'. This funding is calculated based on the number of pupils in the school and their characteristics. All schools get a basic amount for each pupil (with different amounts for different ages), and extra funding for pupils with additional needs.

Schools also receive 'school-led' funding, based on the characteristics of the school itself. This includes a lump sum for every school, and extra funding for schools with certain characteristics, such as a school that operates across more than one site, or a school that is small and remote.

The school-level allocations are added up to create a total allocation for each LA. LAs then set their own local formulae, based on the same factors in the NFF, but with more up-to-date pupil characteristics, to distribute their total allocation between all the schools in their area. Schools receive their funding based on their LA's formula. This means that while the NFF determines how much money each LA receives, it is the LAs' own formulae that determine how much each of their maintained schools finally receives.

NFF payments are processed slightly differently to the two different school sectors: Dedicated Schools Grant payments directly to LAs who then distribute funds to their maintained schools, and General Annual Grant payments directly to academy trusts to support their academies.

The government has announced its intention to move to a 'direct NFF' whereby there would be a single national formula for all schools in the country. Consultations on detailed implementation are continuing, and LAs will be required to start moving towards NFF values in their local funding formulae from 2023-24.

High needs funding

This funding supports provision for children and young people with SEND from their early years to age 25.

Pupil premium

Extra funding for state-funded schools and early years providers to help them improve the attainment of their disadvantaged pupils.

Early years entitlements

LAs are provided with six relevant funding streams which form their overall Dedicated Schools Grant funding but are additional to NFF funds. They are:

- 15-hours entitlement for disadvantaged 2-year-olds
- universal 15-hour entitlement for all 3- and 4-year-olds
- additional 15-hour entitlement for eligible working parents of 3- and 4-year-olds

- early years pupil premium
- disability access fund
- maintained nursery school supplementary funding

Core 16 to 19 funding

Funding for the provision of study programmes for young people. Providers can work through a wide range of establishment types including sixth form colleges, further education colleges, sixth forms in schools and academies, special schools, special academies, independent training providers, special post-16 institutions and some HEPs and also via LAs.

Apprenticeships

Funding that supports the delivery of the apprenticeships programme for young people and adults.

Adult Education Budget

Funding that aims to engage and provide the skills and learning adults need to progress into work or equip them for an apprenticeship or other learning.

5.4 Capital

	2022-23		2021-22	
	Department & Agencies	Group	Department & Agencies	Group
			(Re-presented)	
	£m	£m	£m	£m
Families Group				
Other spending	19	19	3	3
Schools Group				
School condition allocations	2,242	2,242	1,744	1,744
High needs funding	1,198	1,198	300	300
Free schools	693	693	906	906
Basic needs schools capital	535	535	747	747
Priority school building programme	187	187	350	350
School capital improvement	159	159	176	176
Other spending	137	137	–	–
Skills Group				
Other spending	440	534	199	351
Regions Group				
Other spending	37	37	54	54
Strategy Group				
Other spending	–	–	–	–
Operations and Infrastructure Group				
Other spending	61	63	200	204
	5,708	**5,804**	**4,679**	**4,835**

5.4.1 Significant funding streams

School condition allocations

Spending covers a group of separate allocations all aimed at improving the condition of the school estate across different school sectors. Schools and those responsible for school buildings are eligible for specific funding streams depending on their size and type. LAs, larger MATs and larger voluntary aided school bodies receive funding directly to invest across their schools. Smaller academy trusts, voluntary aided bodies and sixth-form colleges are instead able to bid for condition improvement funding.

School condition funding programmes include:

- condition improvement fund, is an annual bidding round for eligible academies, sixth-form colleges and voluntary aided schools to apply for capital funding for specific projects
- school condition allocations, with funds paid to eligible bodies responsible for maintaining school buildings to spend on projects that meet their own priorities
- devolved formula capital, is allocated for individual schools and other eligible institutions to spend on capital projects that meet their own priorities

High needs funding

Supports provision for children and young people with SEND from their early years to age 25, enabling both LAs and institutions to meet their statutory duties under the Children and Families Act 2014.

Free schools

Grants include both the value of the AuC sites transferred to academy trusts, £54 million (2021-22: £108 million), and post-transfer spending on further development of sites.

Basic needs school capital

This supports the statutory duty to provide sufficient school places that sits with LAs. The Department provides LAs with funding for every place that is needed in their area, based on LAs' own data on pupil number forecasts.

Priority schools building programme

This funding is rebuilding and refurbishing school buildings in the worst condition across the country. There are two phases of the programme covering a total of 537 schools. The reduction in PSBP spending across the years presented above reflects the gradual completion of individual school projects in this programme.

Skills Group other spending

Includes the T Levels capital fund – to support eligible further education providers delivering T Levels from September 2023 onwards – and Institutes of Technology – collaborations between FE providers, HEPs and employers to deliver higher technical education that gives employers the skilled workforce they need.

6. Operating expenditure

6.1 Purchase of goods and services

	2022-23		2021-22	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
IT and telecommunications costs	92	215	97	230
Advertising and publicity	37	40	24	26
Other professional fees	27	53	32	37
Research and development costs	29	30	20	20
Building, maintenance and premises costs	7	19	11	21
Staff related costs	11	14	16	19
Rentals under leases:				
land and buildings	9	11	22	26
other leases	–	1	–	1
Other expenditure	23	43	22	45
	235	**426**	**244**	**425**

6.2 Depreciation, impairment and other non-cash charges

	2022-23		2021-22	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Depreciation	27	37	8	13
Amortisation	26	54	30	62
Impairment	98	96	28	26
Provisions: net movement	78	107	103	123
Financial guarantees: net movement	20	20	(23)	(23)
Loss on disposal	59	59	–	–
Other expenditure	1	1	1	–
	309	**374**	**147**	**201**

Included in other expenditure above are audit fees, presented in more detail below.

6.3 Audit fees

	2022-23		2021-22	
	Department & Agencies	Group	Department & Agencies	Group
	£000	£000	£000	£000
Group audit:				
non-cash	1,141	1,141	1,057	1,057
cash – NAO	–	829	–	690
cash – non-NAO	–	20	–	20
SARA audit:				
cash – NAO	505	505	473	473

Non-cash audit fees for the Department and Agencies are included in note 6.2 above as other expenditure. Non-cash audit fees are charged by NAO but are not paid. The audit fees are recognised as an expense above but also as a credit to reserves in both SoCTEs. Cash audit fees for NDPB audit costs are included within Consultancy and other professional fees in note 6.1 above.

The Department is responsible for preparing SARA which is then audited by the NAO. As SARA is an amalgamation of operational academy trusts it does not bear central costs itself. Consequently, the NAO's fee for auditing SARA is recognised in the Group's ARA not SARA.

7. Other (gains)/losses

	2022-23		2021-22	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Annual valuation movements:				
student loans	(23,883)	(23,883)	(3,629)	(3,629)
investments	2	2	(5)	(3)
On de-recognition:				
write-off of student loans	94	94	87	87
write-off of non-student loans	6	6	4	4
Losses on student loans	3	3	5	5
	(23,778)	**(23,778)**	**(3,538)**	**(3,536)**

Student loans and investments (including the retention note) presented above are required to be designated as FVTPL by IFRS 9, none were unilaterally designated at initial recognition.

Annual valuation movements presented in this note relate to gains and losses recognised when remeasuring the fair value of financial assets classified as FVTPL. The student loan annual fair value movements above are the net balances between:

- £14.8 billion of unrealised gains (2021-22: £1.3 billion unrealised losses)
- £8.7 billion of capitalised interest gains (2021-22: £4.9 billion gains)

8. Operational assets

8.1 Adoption of IFRS 16

The Group has two distinct areas of non-current asset activities covering both owned and leased acquisition strategies, spanning:

- offices and equipment to support the Group's own activities
- sites acquired and developed to support free school and FE college operations, which may result in residual investment properties for portions of mixed use sites acquired

Our intentions behind acquisition and the associated risks with either activity are different. The Group seeks to secure suitable office space and equipment to support its employees in the furtherance of their roles. Offices are retained on commercial leases with generally the Government Property Agency (GPA) as landlord.

The education sector sites/assets are acquired by the Department for the use by the academy or FE college once developed. The Department's role is to identify, select and develop suitable sites for the education sector, and then step away as the completed sites are leased to the education provider. A large majority of the education sector sites have been acquired at nil cost through donation or long-term inbound peppercorn leases. The Department does not expect to carry these assets long-term on its SoFP.

In an acknowledgement of the differing risks and intentions behind the two activity types, the PPE and lease disclosures in this ARA have been combined and organised by activity type not by how we hold the asset (owned or leased). Management considers the disclosure of non-current assets by activity type provides readers of this ARA with more suitable and transparent information and better matches our intentions and associated risks.

In accordance with FReM, IFRS 16 was adopted from 1 April 2022 applying the cumulative catch-up method without restating prior years. Consequently, the 2021-22 disclosures below are unchanged. The reclassification of education sector balances occurred during 2022-23 and is shown in the table below with a specific line.

8.2 2023

8.2.1 Values

	Property	Other assets	AuC	Investment property	Total
	£m	£m	£m	£m	£m
Cost or valuation					
1 April 2022	42	72	274	12	400
Recognised on adoption of IFRS 16	125	–	–	–	125
Revised opening balance at 1 April 2022	**167**	**72**	**274**	**12**	**525**
Additions	49	8	26	–	83
Disposals	(1)	(5)	–	–	(6)
Reclassified to education sector assets	–	–	(241)	(12)	(253)
Reclassifications	23	4	(29)	–	(2)
Lease modifications	(12)	–	–	–	(12)
At 31 March 2023	**226**	**79**	**30**	**–**	**335**
Depreciation	(19)	(50)	–	–	(69)
1 April 2022	(11)	–	–	–	(11)
Recognised on adoption of IFRS 16	**(30)**	**(50)**	**–**	**–**	**(80)**
Charged in year	(25)	(12)	–	–	(37)
Disposals	1	5	–	–	6
At 31 March 2023	**(54)**	**(57)**	**–**	**–**	**(111)**
Carrying value as at:					
31 March 2023	**172**	**22**	**30**	**–**	**224**
31 March 2022	**23**	**22**	**274**	**12**	**331**
Of the total:					
Owned	36	22	30	–	88
Leased	136	–	–	–	136
	172	**22**	**30**	**–**	**224**
Of the total:					
Department & Agencies	140	12	30	–	182
NDPBs	32	10	–	–	42
	172	**22**	**30**	**–**	**224**

In an immaterial departure from the adoption methodology the Group has not recalculated the leases held by SLC as at the transition date of 1 April 2022. As a limited company SLC adopted IFRS 16 from 1 April 2019, adopting the discount rate applicable on that date. To strengthen transparency across SLC's local ARA and this Group ARA, we have adopted their RoU values as at 1 April 2022 rather than recalculate the asset and liability values using the 0.95% transition rate. In addition, depreciation brought forward by SLC as at 1 April 2022 has been recognised rather than netting this off against the asset values at transition as required by FReM.

8.2.2 Volumes

Included in the table above for Group disclosures are the following leases:

	Property	Other PPE	AuC	Investment property	Total
	Number	Number	Number	Number	Number
Leases for which IFRS 16 is adopted in full:					
at 1 April 2022	35	125	–	–	160
at 31 March 2023	37	98	–	–	135
Leases for which the short-term exemption was applied					
at 31 March 2023	9	84	–	–	93
Leases for which the low value exemption was applied					
at 31 March 2023	–	5	–	–	5
Total number of leases at 31 March 2023	**46**	**187**	**–**	**–**	**233**

The majority of the other assets leases are for motor vehicles. AuC and investment property volumes are given after removing education sector asset leases.

8.3 2022

The table and values below were disclosed as property, plant and equipment in the 2021-22 ARA. The name change of this disclosure, now titled operational assets, has not had any impact on the values below.

	Property	Other PPE	AuC	Investment property	Total
	£m	£m	£m	£m	£m
Cost or valuation					
1 April 2021	40	69	416	–	525
Additions	–	8	75	–	83
Disposals	(2)	(4)	–	–	(6)
Reclassifications	2	(1)	(109)	12	(96)
Revaluations	2	–	–	–	2
Transfers regarding academy trusts:					
transfer in	–	–	21	–	21
transfer out	–	–	(129)	–	(129)
At 31 March 2022	**42**	**72**	**274**	**12**	**400**
Depreciation					
1 April 2021	(13)	(47)	–	–	(60)
Charged in year	(6)	(7)	–	–	(13)
Disposals	–	4	–	–	4
At 31 March 2022	**(19)**	**(50)**	**–**	**–**	**(69)**
Carrying value as at:					
31 March 2022	**23**	**22**	**274**	**12**	**331**
31 March 2021	**27**	**22**	**416**	**–**	**465**
Of the total:					
Department & Agencies	8	11	273	12	304
NDPBs	15	11	1	–	27
	23	**22**	**274**	**12**	**331**

8.4 Background

The property asset class includes freehold and leasehold sites as well as leasehold improvements on leased sites recognised as RoU assets (current year) or operating leases (in prior year). Other PPE represents all other asset classes (such as motor vehicles, plant and machinery, and fixtures and fittings) not included in the other two classes presented above. The majority of AuC recognised relates to education sector assets so has been transferred to education sector asset disclosures below. The remaining AuC is primarily property based such as improvements mid-way through completion.

The Group operates from multiple sites, all but three of which were leased. The Group's surveyors revalue land and buildings in accordance with the Royal Institute of Chartered Surveyors' Appraisal and Valuation Manual. The owned properties and the most recent revaluations are: CITB's sites at Bircham Newton, Erith and Inchinnan, 31 March 2022 by Montagu Evans LLP.

9. Education sector assets

9.1 Background

As mentioned in note 8.1, the adoption of IFRS 16 fundamentally changed what is recognised as an asset on the Group's SoFP, moving from a broadly 'off-balance sheet' treatment in prior years for the Group's peppercorn leases, to an 'on-balance sheet' treatment as right-of-use assets.

The Group is involved in supporting the academy and FE sectors in locating and developing sites for occupation by academy trusts or FE colleges. Sites are acquired by the Group, developed and then leased out to academy trusts or colleges on 125-year peppercorn leases.

Sites have been acquired by the Group through both freehold and leasehold tenure. A portion of leasehold sites are held on long (>99 years) and very long (>150 years) leases. Consequently, the Group is both a lessor and lessee.

A small volume of shorter-term commercial leases have been entered into to support provider operation. These shorter-term leases are separate to those leases included in the short-term exemption and generally have terms from 5 to 25 years. Leases have been entered into to provide temporary accommodation to opened free schools whilst their permanent site is developed or for sitting tenants on mixed-use sites. In contrast to the operational activity sphere, the Department's interest in education provider leases can be as either landlord or tenant.

The majority of outbound leases have been assessed as being finance leases since the long-term, peppercorn nature of the leases transfers significantly all the risks and rewards of ownership of the leased assets to the lessees (in the main academy trusts). This approach mirrors the lease recognition approach adopted by SARA for the lessee position of the academy trusts. The classification as finance leases results in the de-recognition of any AuC initially recognised on site acquisition whether owned or leased.

9.1.1 Assets under construction

As well as the direct impact of IFRS 16 through recognition of RoU assets and associated financing, IFRS 16 also had a significant indirect effect through AuC recognition. Up to and including 31 March 2022, the Group de-recognised free school AuC as soon as the Department had confirmed future site occupation with the education provider who will operate from the completed site. Management considered this approach to be appropriate since the Group will not gain economic benefit from the sites when operational. AuC de-recognition has preceded the completion of the lease between the Department and the provider.

However, management considers FReM's adaptation of IFRS 16 changes the financial reporting environment since for the first time peppercorn leases are brought into scope. Now the Department has a specific financial reporting standard to apply to its leasing activities. IFRS 16 requires landlords to only de-recognise parent assets (freehold or leasehold) when the outbound lease is classified as a finance lease. Under the terms of IFRS 16, asset de-recognition will occur when the Department ceases to control leased assets.

Control is taken to be when the lease is signed with the education provider and the site is formally handed over for operational activities.

When parent assets are de-recognised through the action of a junior outbound lease they are reported through the transferred out to education providers row in the table below.

In the event of an education provider failure, the Department may step in to acquire the site to maintain education provision or to allow for a repurpose in the education sectors we support. Newly recognised assets will be classified as AuC and presented in the transferred in from education providers row in the table below.

9.1.2 Investment properties

In a limited number of occasions, in order to secure suitable premises where availability is limited, the Group has acquired mixed-use sites which include both an education provision site and third-party accommodation. Where appropriate, the Group has put in place a managed disposal process to oversee the sale or lease of the third-party accommodation to secure value for the taxpayer. However, in some instances third-party accommodation is not suitable for disposal.

Where the outbound lease to the third-party is judged to be an operating lease the parent asset is reclassified from AuC to investment property asset class. Investment property assets are not depreciated but are fair valued each year. Where the outbound lease is judged to be a finance lease the parent asset is de-recognised.

9.2 2023 values

	Property	AuC Leased	AuC	Investment property Leased	Total
	£m	£m	£m	£m	£m
Cost or valuation					
1 April 2022	–	–	–	–	–
Recognised on adoption of IFRS 16					
lease recognition	9	25	65	12	111
AuC pulled back from SARA	168	26	–	–	194
Revised opening balance at 1 April 2022	**177**	**51**	**65**	**12**	**305**
Additions	–	44	–	–	44
Reclassified from operational assets	241	–	12	–	253
In-year development spend	171	21	–	2	194
Transferred in from education providers	–	–	–	–	–
Disposals	(65)	–	(60)	–	(125)
Transferred out to education providers	(53)	(1)	–	–	(54)
Impairment	–	–	(55)	–	(55)
Reclassifications	(73)	–	100	22	(49)
Movement in fair value	–	–	–	–	–
At 31 March 2023	**398**	**115**	**62**	**36**	**611**
Depreciation					
1 April 2022	–	–	–	–	–
Charged in year	–	–	–	–	–
Disposals	–	–	–	–	–
At 31 March 2023	**–**	**–**	**–**	**–**	**–**
Carrying value as at:					
31 March 2023	**398**	**115**	**62**	**36**	**611**
Of the total:					
Department & Agencies	398	115	62	36	611
NDPBs	–	–	–	–	–
	398	**115**	**62**	**36**	**611**

9.2.1 Lease volumes

	AuC	Investment property	Total
	Number	**Number**	**Number**
Leases for which IFRS 16 is fully adopted			
De-recognised prior to 1 April 2022	38	31	69
Asset recognised at 1 April 2022	23	31	54
New in year	3	–	3
Expired in year	(1)	–	(1)
De-recognised in year	(4)	–	(4)
Assets recognised at 31 March 2023	**21**	**31**	**52**
Leases for which short-term exemption applies			
Active in year	(1)	–	(1)

9.3 Lessor activities

9.3.1 Volumes

	Finance leases		Operating leases		
	Operational education site	Third-party site	Operational education site	Third-party site	Total
	Number	**Number**	**Number**	**Number**	**Number**
Active at 1 April 2022	119	48	22	34	223
New in year	21	3	1	1	26
Expired in year	(1)	–	(6)	(3)	(10)
Active at 31 March 2023	**139**	**51**	**17**	**32**	**239**
Freehold parent asset	106	41	6	17	170
Leasehold parent asset	33	10	11	15	69
	139	**51**	**17**	**32**	**239**

All parent assets (the asset being leased out) assessed as being leased out under an operating lease are presented in note 9.2 as investment property. Parent assets leased out under finance leases have been de-recognised from SoFP. Parent assets for all lessor activities were originally classified as AuC and acquired to support education provision by providers.

10. Financial instruments

10.1 Financial assets by category

	2023		2022	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Fair value through profit or loss				
Student loans	137,804	137,804	97,942	97,942
Investments	58	58	71	75
Amortised cost				
Other loans	196	692	201	720
Receivables	689	721	366	379
Cash at bank	694	857	920	1,078
	139,441	**140,132**	**99,500**	**100,194**

10.2 Financial liabilities by category

	2023		2022	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Amortised cost				
Payables	1,701	1,755	1,717	1,777
Lease liabilities	152	166	–	–
PF2 imputed lease liability	583	583	598	598
PF2 loan liabilities	–	502	–	524
Financial guarantees	65	65	85	85
	2,501	**3,071**	**2,400**	**2,984**

10.3 Fair value disclosures

	2023		2022	
Fair values	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Level 1				
Investments	1	1	–	4
Level 2				
None	–	–	–	–
Level 3				
Student loans	137,804	137,804	97,942	97,942
Retention note	57	57	71	71
	137,862	**137,862**	**98,013**	**98,017**

To provide an indication about the nature of the inputs used in determining fair value, financial instruments are classified into three levels as prescribed by accounting standards.

Quoted market price (Level 1): the fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Other than the retention note, all the investments presented above are listed securities with values taken from public information as at the year end.

Valuation techniques with significant non-observable inputs (Level 3): if one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for student loans. The retention note is also classified to Level 3 since its underlying pool of securities (student loans) is classified as Level 3.

There were no transfers between the different levels of the fair value hierarchy.

11. Financial risk

11.1 Financial risk management

As the cash requirements of the Group are met through the Estimates process, the Group is not exposed to the degree of financial risk faced by similar sized business entities. Consequently, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body.

The Group has limited powers to borrow or invest surplus funds and, except for the Group's PF2 transaction, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Group in undertaking its activities. To support the PF2 transaction, the Group both took out and issued loans to allow funds to flow down to the construction firms building the PF2 schools.

Liquidity risk

The Group's net revenue resource and capital requirements are financed by resources voted annually by Parliament. The funding requirements of the Group's PF2 transaction required to support the school construction are aligned to the planned drawdowns from the external investors to manage liquidity risk. The Group's PF2 loan assets and liabilities have aligned maturity profiles, the loan assets are used to service the loan liabilities.

The Group is therefore not exposed to significant residual liquidity risk.

Interest rate risk

The Group's financial instruments carry nil, variable or fixed rates of interest.

The Group's variable rate financial assets are predominantly its student loans which have an interest rate cap set at RPI or the Bank of England base rate plus 1%.

The interest rate on Plan 1 undergraduate loans is the lower of RPI and the Bank of England base rate plus 1%. The amount of interest repayable is therefore subject to fluctuations in the base rate and RPI. The probability of the Department recovering the face value of loans issued is increased when the Bank of England base rate is low and the rate of inflation is comparatively high, because the base rate cap comes into operation for these loans. The impact of the interest rate risk for student loans issued under the Plan 1 scheme is factored into the carrying value as the student loan repayment model calculates the impact of interest rate on expected future cash flows. There is inherent risk in forecasting the amount of interest payable and if England experiences base rates that are lower than RPI the future cash flows will be impaired further. Additional information about student loans is provided in note 12 and annex C.

The Group's inbound and outbound PF2 financial instruments have fixed interest rates that are broadly aligned and were set within the context of the PF2 transaction as a whole.

Consequently, the Department does not consider it is exposed to significant residual interest rate risk.

Credit risk

Credit risk is the risk that a service user or counterparty to a financial instrument will fail to pay amounts due causing financial loss to the Group and arises principally from cash and outstanding debt. The Group's exposure to credit risk can be split into two broad sources: arising from loans originated by the Group (predominantly PF2 and student loans) and the funding of education providers.

The Department addressed the credit risks arising from the PF2 loans through careful planning at the origination stages (aligned drawdown and repayment schedules). In addition, the PF2 loans have been structured so that repayment starts once the school buildings are operational; and the borrowers are receiving rental income from the Department to service the loans.

The Group's student loans retain credit risk since, as per government policy, no mitigating checks on potential borrowers are performed prior to loan origination. More information pertaining to student loan risk profile is provided in note 12.

The Group has a credit (receivables) policy for education providers that ensures consistent processes are in place throughout the Group to measure and control credit risk. Commercial and charitable education providers for the Group are subjected to quality and financial status reviews to mitigate the risk of non-payment of debts as a result of insolvency.

The Group has a small number of immaterial non-student loan portfolios, predominantly to the academy and FE education sectors. The loans are designed to support the education providers and are not intended to replace commercial lending. As such credit risk is not as important in the loan management process, supporting continued education provision is more important. Loan terms are tailored to borrowers' circumstances and in some situations loan repayments are deducted at source from future grant payments.

For non-student loan assets, there is no active market and there is no intention to sell. Therefore, the Group does not disclose fair value comparatives.

Market risk

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

The Department considers that the use of third-party professional managers mitigates against significant residual market risk.

Other market risk

The other main risks resulting from a downward movement in the economy relate to the potential increase in borrowers' unemployment impacting on their ability to repay student loans. Student loans are also impacted due to the potential resultant negative impact on graduate earnings growth, which lengthens the period before loans are in repayment and extends the repayment period. This may impact the carrying value in the accounts. It can also lead to an increase in write-offs as it increases the likelihood that some graduates may not repay their loans in full by the end of the loan period.

11.2 PF2 risk

The Group has entered into agreements for five regional batches of schools with construction consortia. These schemes are PFI arrangements, with the financing for each of the batches raised by Aggregator Vehicle PLC.

In summary, the transactions involved are:

- investor debt is raised (liability of the Group)
- a loan is made onward to the relevant regional batch consortium (asset of the Group)
- the consortium undertakes construction projects with assets controlled by the LA or academy trust as relevant
- adopting the Group's AuC accounting policy the school assets are not recognised as assets, the value of construction is recognised as a capital grant-in-kind
- the Group recognises an imputed lease liability in respect of unitary charges payable to the consortia to cover the construction value of the schools

The table below sets out the principal balances included in the consolidation in respect of these arrangements, and where the relevant details are included in the accounts:

Balance	Note	Counterparty
SoFP		
PF2 loan assets	13	Receivable from regional batch consortia
PF2 senior debt	16 & 17	Loan financing
PF2 subordinated debt	16 & 17	Loan financing
PF2 lease liability	16 & 17	Payable to regional batch consortia
SoCNE		
Loan interest income		Receivable from regional batch consortia
Loan interest expense		Private sector investors
PF2 service costs	6.1	Payable to regional batch consortia
PF2 finance costs		Payable to regional batch consortia

12. Student loans

Loans for students in higher education and further education are originated and recognised by the Department. The Department's student loans can be split into different repayment plans depending upon which education sector the borrowers were members of and when the loans were taken out. The plans are as follows:

- Plan 1 loans – loans taken out for undergraduate courses that started before 1 September 2012
- Plan 2 loans – loans taken out for undergraduate courses that started on or after 1 September 2012, including advanced learner loans
- Plan 3 loans – loans for postgraduate master's courses starting on or after 1 August 2016 and postgraduate doctoral courses starting on or after 1 August 2018

Features of student loans, such as repayment thresholds and interest rates can be found online.[66]

Annex C presents background information about student loans and the following disclosures broken out across the three sub-portfolios.

12.1 Values of student loans

		2023		2022
	Carrying value	Face value	Carrying value	Face value
	£m	£m	£m	£m
Balance at 1 April	97,942	178,532	77,396	156,750
New loans issued	20,038	20,038	20,020	20,020
Interest charged	–	8,752	–	4,865
Repayments	(3,965)	(3,965)	(3,016)	(3,016)
Write-offs	(94)	(94)	(87)	(87)
Fair value movement	23,883	–	3,629	–
Balance at 31 March	**137,804**	**203,263**	**97,942**	**178,532**
Analysed as:				
Undergraduate Plan 1	14,662	28,203	15,050	29,284
Undergraduate Plan 2	118,158	170,017	78,822	144,951
Postgraduate Plan 3	4,984	5,043	4,070	4,297
	137,804	**203,263**	**97,942**	**178,532**
Disclosed as				
Current assets	4,016		3,624	
Non-current assets	133,788		94,318	
	137,804		**97,942**	

Under IFRS 9, student loans are recognised at fair value. In determining the fair value of student loans, the Department has used a discounted cash flow model (see below), and this

66 https://www.gov.uk/government/publications/student-loans-a-guide-to-terms-and-conditions

includes all expected cash flows, including the interest that is expected to be received. As a result, a single fair value movement is recognised in the SoCNE.

The face value is made up of the opening face value, plus additions and capitalised interest, and less repayments and write-offs. Face value excludes fair value adjustments

12.2 Fair value movement analysis

The annual remeasurement of the fair value balance for the years presented here is made up of the following:

Description	2023	2022	Movement improvement /(worsening)
	£m	£m	£m
Overall annual fair value movement – calculated	**23,883**	**3,629**	**20,254**
Which can be dis-aggregated into the following drivers:			
Deferral of the difference in fair value and amount advanced to students on new loans	(5,497)	(8,590)	3,093
The difference between the amount advanced to students (transaction value) and estimated fair value at initial recognition is deferred and recognised as an in-year remeasurement fair value. These fair value gains and losses are recognised within net operating expenditure. For further detail on the IFRS 9 assessment of the deferral see note 1.3.3.			
Impact of changes in assumptions and modelling	22,417	11,462	10,955
Annual updates to the student loan valuation models are made to improve methodology and forecast outputs of the models. These are broken down in note 12.4.			
Operational costs	(580)	442	(1,022)
In accordance with IFRS 9 operational costs of servicing the loan books have been included in the fair value calculation.			
Unwinding of the discount	14,222	6,619	7,603
Gain arising from removing one year's worth of discounting from the valuation			
Residual fair value movement	(6,679)	(6,304)	(375)
Portion of the overall fair value movement remaining after the identified drivers above have been dis-aggregated. The balance shows some inverse sensitivity to the unwinding of the discount balance above to absorb movements to bring the overall fair value movement back to the calculated balance.			

The annual fair value movement is calculated through modelling as described elsewhere as a single value per Plan from known model inputs. In the table above, we have isolated the value movements attributable for the named factors from the overall calculated value movement. However, the annual value movement is not built-up through summing the lower-level movements shown above. The dis-aggregation results in a residual portion of the overall value movement that cannot be attributed to the drivers analysed above which is presented on the foot of the table. There is an informal relationship between the unwinding of the discount and the residual value, so that if unwinding the discount increases the residual value movement will need to decrease to bring the overall value movement back to that calculated.

The significant increase in the unwinding the discount recognised in the year is a result of the increase in RPI in the year. As RPI this year increased to 13.5% in March 2023, which led to significantly more interest than in the year to March 2022 when RPI was 9.0%.

The impact of changes in assumptions and modelling is primarily a result of changes made to Plan 2 repayment thresholds for future years and the change in HMT discount rate which are explained further in note 12.4.

12.3 Valuation modelling

Forecasting models

The fair value of new loans is calculated using a forecasting model, which uses data on the demographics of higher education and further education students to predict their likely repayments of loans. There are also models for different loan types – undergraduate Plan 1 and Plan 2, and postgraduate Plan 3. The models are long-term in nature and depend on a complex set of assumptions; particularly, they rely on the latest OBR long-term and short-term forecasts for RPI, Bank of England base rate and earnings growth. The valuation of the student loan books is uncertain as they are highly dependent on macroeconomic circumstances and graduate earnings over the next 30-35 years, as well as a number of other complex assumptions, for around five million borrowers. There is little historic repayment data available for undergraduate Plan 2 and postgraduate Plan 3 loans as none of these loans were due for statutory repayment until 2016-17. Further information on the undergraduate model assumptions[67] is provided on the Department's website.

The assumptions used in the repayment models are formally reviewed each year and the amounts provided reflect the estimate as at 31 March 2023.

Assurance over the carrying fair value

Each year the carrying value of undergraduate loans is compared with the latest outputs from the student loan repayment model, which is re-run using current assumptions. If there is a significant difference, a review is undertaken to determine the reasons for the variance. The carrying value would only be adjusted if there was sufficient evidence to suggest that the divergence constituted a permanent reduction in the carrying value.

Assumptions used to calculate the student loan fair values

Key macroeconomic assumptions that affect the value of the student loan books are earnings growth, RPI inflation and, for Plan 1 loans the Bank of England base rate. These macroeconomic assumptions are based on OBR forecasts as they are considered to be the most reliable, as well as providing forecasts that span the length of time required for consideration for student loan repayments. Other assumptions, for example, that future graduate earnings will mimic the available data on historical graduate earnings cannot be easily verified.

67 https://www.gov.uk/government/collections/statistics-student-loan-forecasts

In calculating the carrying value of the loan book, the FReM stipulates that the higher of the intrinsic rate to the financial instrument or HMT's current discount rates of RPI-1.3% and RPI-0.2% should be applied to cash flows out to February 2030 and post-February 2030 respectively.

The sections below discuss the impacts on the 2022-23 carrying fair value as a result of changes in modelling, assumptions and other variables that impact the valuation, and also detail sensitivity analysis on the valuation.

12.4 Changes in assumptions and modelling

During the year, the following changes in assumptions and modelling have had significant impacts on the fair value of student loans.

	2023	2022	Movement improvement /(worsening
	£m	£m	£m
Remeasurements to existing loans arising from changes to			
Modelling improvements			
long-term earnings model	–	(12,751)	12,751
repayments model	–	(172)	172
other	(1,198)	392	(1,590)
HMT discount rate	1,752	19,793	(18,041)
Macroeconomic factors	2,192	4,514	(2,322)
Policy changes	21,800	1,534	20,266
New data/unwinding	(434)	(419)	(15)
Student number forecasts	(1,695)	(1,429)	(266)
Total loan remeasurement	**22,417**	**11,462**	**10,955**

Annex C contains further quantified disclosures about the impact of modelling changes.

12.5 Sensitivity analysis

The analysis below shows the changes in carrying value from quantified changes in valuation factors that we know can vary and have a significant impact on the loan fair value. The analysis covers named factors flexed individually and for named external factors combined flexed by known amounts. The combined factor analysis is not attempting to create future economic scenarios or forecasts. We have presented the combined external factors to illustrate how those factors interplay.

Factors are split between those that are external to the Department, which include HMT's discount rate and macroeconomic factors, and internal policy areas which the Department can influence. The Department has considered scenarios of combined impacts of the HMT discount rate and earnings forecasts, which are considered the two factors that are expected to change annually and have a significant impact on the carrying value. RPI, a further external factor, has also been considered in isolation and so has the repayment threshold, an internal factor.

The carrying values used in the sensitivity analysis below do not include the limited impact of including operational costs. The sensitivity analysis workings are completed prior to the inclusion of operational costs for the IFRS 9 carrying values used in note 12.1 above. Annex C presented the overall sensitivities disclosed below analysed by plan.

12.5.1 RPI

	2023	2022
	£m	£m
Year end carrying value	137,804	97,942
Increase of named factor by 1%	(23,108)	(9,230)
Decrease of named factor by 1%	24,637	9,630
Increase of named factor by 2%	(43,371)	(17,830)
Decrease of named factor by 2%	49,880	19,850

RPI has changed significantly since the pandemic, after a period of being broadly stable (at between 2-4%) in the three years beforehand. The rate dipped to 0.5% in August 2020, and has been in excess of 5% since October 2021, rising to 13.5% at March 2023 and only dropping slightly in the months since.

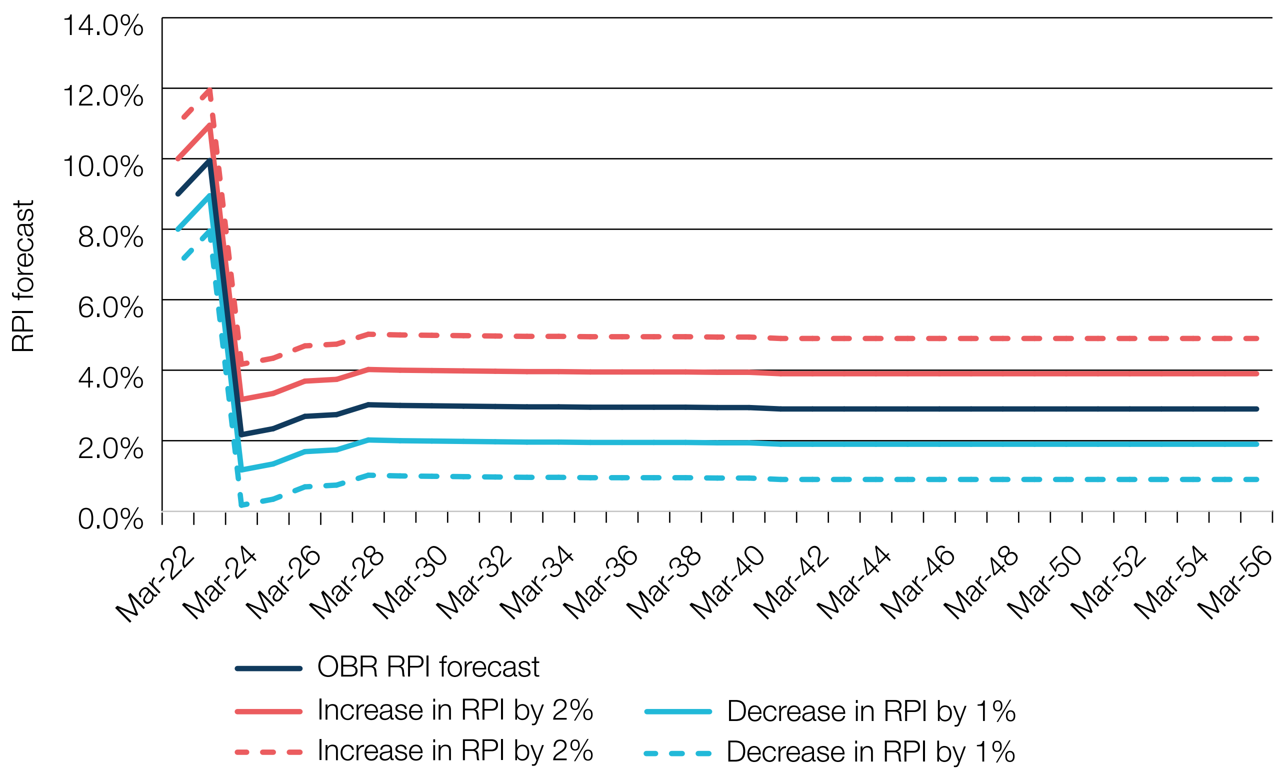
An increase in RPI leads to:

- a higher discount rate, which will lower the carrying value of loan books
- increased interest on borrowers' balances in the following year for Plan 2 and postgraduate Plan 3 loans
- increased interest for Plan 1 loans, unless RPI is higher than the base rate +1%, in which case RPI does not determine the interest rate
- increased repayment threshold for Plan 1 loans, which results in lower repayments

The outturn for March 2023 RPI is 13.5% and is forecast to drop significantly in the year to March 2024, then stabilise at 2.0% in the long-term (2021-22: 9.0%, forecast to reduce to 2.9% over the long-term). Long-term is considered to be 30 years for these purposes. The table above shows the impact of a 1 or 2% change to each RPI forecast in each of the forecast cash flow years. An increase in RPI reduces the valuation of the loan book, and a decrease in RPI increases the valuation. The amounts are significant as a result of the impact that RPI has on the discount rate; as explained above and as seen in 2021-22, changes to the discount rate applied can have a significant impact on the carrying value of the loan book.

The percentage movements above are not against the year end RPI value. The +/- margins are against the OBR's central forecast of RPI which was used in the year end valuation modelling across the full 30-year life of the loans. The graph below shows the OBR RPI central forecast across period and the margins used to quantify the above sensitivities.

RPI sensitivities



12.5.2 Loan repayment threshold

	2023	2022
	£m	£m
Year end carrying value	137,804	97,942
Increase of threshold by £1,000	(3,549)	(3,400)
Decrease of threshold by £1,000	3,742	3,480

The repayment threshold determines the earnings level above which borrowers repay their student loans. For Plan 1 this is uprated each year in line with RPI, for Plan 2 this is frozen up to and including 2024-25 and will be uprated by RPI thereafter, and for Plan 3 this has been frozen in recent years.

The table shows that increasing the repayment threshold reduces the carrying value of the loan book, because this reduces the repayments made to government by borrowers. Reducing the rate increases the carrying value.

12.5.3 Multiple factors

	2023
	£m
Year end carrying value	137,804
Scenario 1	5,046
Scenario 2	(12,486)
Scenario 3	13,064
Scenario 4	(5,274)

The table above illustrates the effect of varying more than one model input. The four situations are as follows:

- Scenario 1 – discount rate increased by 0.2%, earnings up by 10%
- Scenario 2 – discount rate increased by 0.2%, earnings down by 10%
- Scenario 3 – discount rate decreased by 0.2%, earnings up by 10%
- Scenario 4 – discount rate decreased by 0.2%, earnings down by 10%

The Masters loan book (which forms part of Plan 3 in these disclosures) sensitivity analysis has been calculated using a discount rate of RPI-HMT PES rate, rather than the intrinsic rate as it is valued in the SOFP. The sensitivity analysis presented here is to give awareness of what would happen to the Department's financial position should certain named conditions change.

Discount rate

The HMT discount rate is used to calculate the remeasurements on student loans. It is the long-term cost of government borrowing. There have been infrequent changes to the discount rate in the past, with the last change occurring in 2015-16. However, a change to the rate was announced during 2021-22 which reduced it by 1.8% and had a significant impact on the fair value of the loan books in the year, as detailed earlier in the note. There was a further change announced during 2022-23, reducing the rate by a further 0.2% for cash flows to 2030. This is something that is determined by HMT, and over which the Department has no control.

In accordance with IFRS 9, the Group accounts for the student loan book as FVTPL. Therefore, there may be an expectation from readers that the Group will be applying a market discount rate as per IFRS 13. Per IFRS 13, the fair value considers the most advantageous market for an orderly transaction to take place. However, the rate used in these accounts is prescribed by FReM's interpretation of IFRS 9 and is therefore the rate as promulgated by HMT annually to all government departments. Discount rate sensitivities have been considered in scenarios with earnings forecasts, as these are considered to be the factors most likely to change year-on-year. The HMT discount rate is now being updated annually rather than once every several years as was previously the case, therefore annual changes to the discount rate are not expected to be as large as the one seen in 2021-22. A sensitivity of 0.2% in each direction has therefore been considered here.

Earnings growth

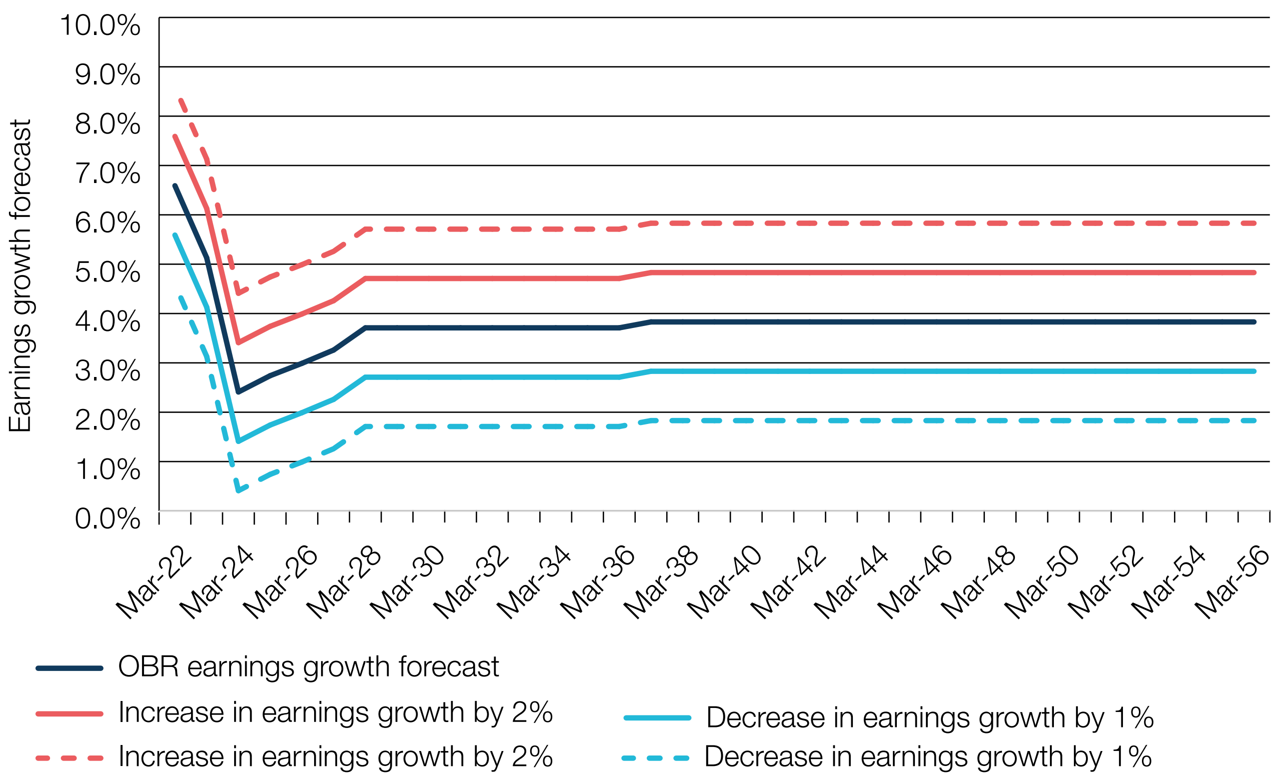
Earnings growth in the last three years has increased to between 4-6% after a period of lower growth at around 2-3% previously. It is forecast to be below 3% in the years to 2027, and between 3-4% thereafter.

Higher earnings growth leads to:

- increased repayments for all loan books, as repayments are linked to earnings
- increased interest applied to students' accounts, and therefore due for repayment for Plan 2 loans, as the variable element of the interest rate is linked to the borrower's earnings

The OBR outturn for 2022-23 earnings growth is 5.8% and is forecast to be below 3% in the years to 2027 and stabilise between 3-4% in the long-term, considered to be the next thirty years (2021-22: 4.2%, forecast to decrease to 3.83% over the long-term). An increase in earnings growth increases the valuation of the loan book as a result of the increased repayments arising from the growth. The graph below presents the earnings forecast and margins applied for the sensitivities above. Earnings sensitivities have been considered in scenarios with the HMT discount rate, as these are considered to be the factors most likely to change year-on-year. The scenarios have considered short-term movements of 1% in each direction which is based on the likely volatility in earnings forecasts, and only short-term (to 2030) has been considered because our understanding is that the OBR is unlikely to change long-term earnings forecasts.

Earnings growth sensitivities



13. Other loans

13.1 Current loans

	2023		2022	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
PF2 loan assets	–	40	–	37
Loans to academy trusts	33	33	31	31
Loans to FE sector	11	11	14	14
Intra-Group loans	–	–	–	–
Other loans	–	–	–	–
	44	**84**	**45**	**82**

13.2 Non-current loans

	2023		2022	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
PF2 loan assets	–	453	–	478
Loans to academy trusts	92	92	103	103
Loans to FE sector	60	60	53	53
Intra-Group loans	–	–	–	–
Other loans	–	3	–	4
	152	**608**	**156**	**638**

13.3 Analysis

13.3.1 2023

	FE sector	Academy trusts	Intra-Group	PF2	Other
	£m	£m	£m	£m	£m
Opening balance	67	134	–	515	4
New lending	11	26	–	–	–
Effective interest	–	2	–	18	–
Repayments	(17)	(30)	–	(40)	(1)
Write-offs	(2)	(4)	–	–	–
Impairment movement in year	12	(3)	–	–	–
	71	**125**	**–**	**493**	**3**
Gross value	117	140	–	494	3
Closing impairment allowance	(46)	(15)	–	(1)	–
	71	**125**	**–**	**493**	**3**
Disclosed as:					
Current loans	11	33	–	40	–
Non-current loans	60	92	–	453	3
	71	**125**	**–**	**493**	**3**

13.3.2 2022

	FE sector	Academy trusts	Intra-Group	PF2	Other
	£m	£m	£m	£m	£m
Opening balance	66	132	10	533	4
New lending	5	29	–	–	–
Effective interest	–	(4)	–	19	–
Repayments	(17)	(25)	(10)	(37)	–
Write-offs	(2)	(2)	–	–	–
Impairment movement in year	15	4	–	–	–
	67	**134**	**–**	**515**	**4**
Gross value	125	146	–	516	4
Closing impairment allowance	(58)	(12)	–	(1)	–
	67	**134**	**–**	**515**	**4**
Disclosed as:					
Current loans	14	31	–	37	–
Non-current loans	53	103	–	478	4
	67	**134**	**–**	**515**	**4**

13.4 Loan types

13.4.1 FE sector loans

Loans to the FE sector represent both Exceptional Financial Support and Restructuring Facility loans provided to FE colleges in order to safeguard learner provision. These loans may be provided to FE colleges over a number of years based on the individual merits of each case.

13.4.2 Loans to academy trusts

Loans issued to academy trusts comprise the following types:

- Deficit funding loans, to assist with the academy trusts' deficit funding. The loans are collected by the Group as a deduction against the academy trusts' grant payments over the loan term.
- Estate condition loans, to allow academy trusts to address estate condition issues.
- Voluntary aided capital project loans, issued to voluntary aided schools for capital projects under Schedule 3 of the Schools Standards and Framework Act 1998.

13.4.3 PF2 loan assets

These are loans made within the structure of the Group's PF2 transaction between the Group and the transaction's five regional batch consortia. Each consortium has a single loan repayable in six-monthly instalments from 31 March 2017 ending on 28 December 2041 which matches the service concession period. The loans bear interest at fixed rates; with the weighted average fixed interest rate of 3.56% (2021-22: 3.56%).

13.4.4 Intra-Group loans

The Department made a short-term loan to CITB to cover an expected working capital shortfall arising from a fall in levy receipts as a result of COVID-19. CITB, along with ECITB, is levy funded from the construction industry which was severely impacted by COVID-19 in 2020-21. The loan was fully repaid in June 2021.

13.4.5 Other loans

Other loans comprise legacy loans to learning providers across several sectors to support specific projects of the providers. None of the loans are interest bearing.

14. Receivables

14.1 Amounts falling due within one year

	2023		2022	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Trade receivables	18	46	30	38
VAT receivables	50	45	15	12
Other receivables – student loans	475	475	243	243
Other receivables	132	136	18	23
Prepayments	21	35	51	65
Accrued income	88	89	198	201
	784	**826**	**555**	**582**

Trade receivables presented above are after applying impairment allowances of £63 million (Department and Agencies) and £126 million (Group) (2021-22: £27 million and £126 million respectively).

Other receivables – student loans refers to funds from borrowers recovered by HMRC through the PAYE system and yet to be passed across to the Group.

14.2 Amounts falling due after one year

	2023		2022	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Other receivables – student loans	62	62	71	71
Other receivables	2	(1)	4	4
	64	**61**	**75**	**75**

Other receivables – student loans relate to student loan grant overpayments owed to the Group. The closing net position is made up of an impairment provision of £374 million (2021-22: £365 million) applied against gross overpayments of £436 million (2021-22: £436 million).

15. Cash and cash equivalents

15.1 Analysis

	2023		2022	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Balance at 1 April	920	1,078	1,013	1,153
Net change in cash and cash equivalent balances	(226)	(221)	(93)	(75)
Balance at 31 March	**694**	**857**	**920**	**1,078**
The following balances are held as cash at bank and in hand				
Government Banking Service	676	708	906	931
Commercial banks	–	131	–	133
Cash held by third parties on behalf of Group	18	18	14	14
Balance at 31 March	**694**	**857**	**920**	**1,078**

Third parties holding cash for the Group include solicitors as part of land transactions, managing agents for rentals and RPA's corporate services provider to support claim payments. Cash held by third parties is held short-term to support the underlying transactions.

15.2 Reconciliation of liabilities arising from financing activities

15.2.1 2023

			Non-cash changes			
	2022	Cash flows	Acquis'n	Fair value changes	Other changes	2023
	£m	£m	£m	£m	£m	£m
Supply	920	(226)	–	–	–	694
Lease liabilities	–	(15)	57	–	124	166
PF2 lease liabilities	598	(15)	–	–	–	583
PF2 loan liabilities	524	(22)	–	–	–	502
Total liabilities from financing activities	**2,042**	**(278)**	**57**	**–**	**124**	**1,945**

15.2.2 2022

			Non-cash changes			
	2021	Cash flows	Acquis'n	Fair value changes	Other changes	2022
	£m	£m	£m	£m	£m	£m
Supply	1,012	(92)	–	–	–	920
PF2 lease liabilities	613	(15)	–	–	–	598
PF2 loan liabilities	549	(25)	–	–	–	524
Total liabilities from financing activities	**2,174**	**(132)**	**–**	**–**	**–**	**2,042**

16. Current payables

	2023		2022	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Tax and social security payables	13	17	28	31
Trade payables	25	34	76	86
Other payables	537	541	573	576
Accruals	1,333	1,372	1,296	1,341
Deferred income	36	44	50	59
Amounts issued from the Consolidation Fund for Supply but not spent at year end	693	693	920	920
PF2 imputed lease liability	15	15	14	14
PF2 loan liabilities	–	28	–	27
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:				
received	–	–	–	–
	2,652	**2,744**	**2,957**	**3,054**

17. Non-current payables

17.1 Analysis

	2023		2022	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
PF2 imputed lease liability	568	568	584	584
PF2 loan liabilities	–	474	–	497
Other payables	352	352	340	342
Accrued expenses	35	35	–	–
Deferred income	2	2	2	2
	957	**1,431**	**926**	**1,425**

PF2 senior debt relates to five bank notes and five bond subscriptions. The borrowing facilities are for a total value of £563.3 million (2021-22: £563.3 million) and as at 31 December 2022 £451 million (2021: £473 million) has been drawn. Loan issue costs related to the bank borrowings have been deducted from the gross proceeds and an effective interest is used to calculate finance costs. There was £12.5 million (2021: £12.6 million) of accrued interest and an unamortised effective interest adjustment of £5.8 million (2021: £6.1 million) as at the Aggregator's year end of 31 December 2022.

The loans are repayable in six-monthly instalments commencing on 31 March 2018, ending on 31 March 2042. Interest is charged on amounts drawn under the facilities based on a fixed rate; the weighted average fixed rate is 3.56% (2021: 3.56%).

The PF2 subordinated debt has been provided by a party related to the Aggregator Vehicle PLC. As at 31 December 2022 £2.6 million (2021: £2.3 million) interest has been accrued.

17.2 Maturity analysis

The table below shows the maturity analysis for the Group's financial liabilities with defined multi-year maturities: PF2 loans and PFI lease liabilities.

	2023		2022	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Not later than one year	15	43	14	41
Later than one year and not later than five years	69	163	66	160
Later than five years	499	879	518	921
	583	**1,085**	**598**	**1,122**

18. Lease liabilities

18.1 Analysis

	2023		2022	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Balance as a 1 April	–	–	–	–
Recognised on adoption of IFRS 16	122	136	–	–
Revised opening balance	**122**	**136**	**–**	**–**
Additions	57	57	–	–
Interest	1	1	–	–
Repayments	(16)	(16)	–	–
Modification adjustments	(12)	(12)	–	–
	152	**166**	**–**	**–**
Disclosed as:				
Amounts due within one year	11	14	–	–
Amounts due after more than one year	141	152	–	–
	152	**166**	**–**	**–**

18.2 Maturity analysis

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

	2023	
	Department & Agencies	Group
	£m	£m
Land and buildings (including investment properties)		
Not later than one year	9	11
Later than one year and not later than five years	44	47
Later than five years	63	72
	116	**130**
Expected receipts from sub-leases	**4**	**4**
AuC		
Not later than one year	2	3
Later than one year and not later than five years	7	7
Later than five years	27	26
	36	**36**
Expected receipts from sub-leases	**–**	**–**
Other		
Not later than one year	–	–
Later than one year and not later than five years	–	–
Later than five years	–	–
	–	**–**

19. Retirement benefit obligations

SLC operated the Group's only funded defined benefit scheme. Until 1 March 2020, SLC operated the SLC Pension Scheme for all permanent staff. This scheme was a defined benefit scheme that provides benefits based on final pensionable salary. The assets of the scheme have been held separately from those of the Group.

On 29 February 2020, the scheme closed to future accrual of benefits and most active members were transferred to the PCSPS on 1 March 2020 where they retained their salary link.

A residual SLC scheme still exists and has some retained members, and the reduced-scope scheme's deficit as at 31 March 2023 was £17 million (2022: surplus of £2.0 million). Further details of the pension scheme transfer can be found in SLC's published ARAs.[68]

20. Capital and other commitments

20.1 Capital commitments

Contracted and approved commitments at 31 March not otherwise included in these financial statements:

		2023		2022
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Group assets:				
property, plant and equipment	–	1	–	1
intangible assets	–	5	–	3
Programmes:				
free schools	2,591	2,591	3,218	3,218
school rebuilding programme	432	432	259	259
PSBP	399	399	199	199
secure accommodation	63	63	38	38
strategic school improvement	28	28	9	9
FE transformation	6	6	26	26
	3,519	**3,525**	**3,749**	**3,753**

The majority of capital commitments relate to school and college projects managed by the Group and will not generate assets recognised on the Group's SoFP under the relevant accounting policies. Capital commitments do not include the cost of contract workers engaged in the delivery of the programmes.

68 https://www.gov.uk/government/collections/slcs-annual-reports-and-accounts

20.2 Commitments under leases

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

20.2.1 2023 Department & Agencies

	Property (including Investment Property)	AuC	Other	Total
	£m	£m	£m	£m
Leases for which IFRS 16 applies in full				
Not later than one year	9	2	–	11
Later than one year and not later than five years	44	7	–	51
Later than five years	70	32	–	102
	123	**41**	**–**	**164**
Less future interest charges	(7)	(5)	–	(12)
Present value of obligations	**116**	**36**	**–**	**152**
Analysed as:				
Payables: amounts falling due within 1 year	9	2	–	11
Payables: amounts falling after more than 1 year	107	34	–	141
	116	**36**		**152**
Expected receipts from sub-leases	4	–	–	4
Leases to which short-term exemption is applied				
Less than six months	–	–	–	–
Greater than six months but less than one year	–	–	–	–
Later than one year and not later than five years	–	–	–	–
Later than five years	–	–	–	–
	–	–	–	–
Leases to which low value exemption is applied				
Less than one year	–	–	–	–
Later than one year and not later than five years	–	–	–	–
Later than five years	–	–	–	–
	–	**–**	**–**	**–**

20.2.2 2023 Group

	Property (including Investment Property)	AuC	Other	Total
	£m	£m	£m	£m
Leases for which IFRS 16 applies in full				
Not later than one year	12	2	–	14
Later than one year and not later than five years	53	7	–	60
Later than five years	74	32	–	106
	139	**41**	**–**	**180**
Less future interest charges	(9)	(5)	–	(14)
Present value of obligations	**130**	**36**	**–**	**166**
Analysed as:				
Payables: amounts falling due within 1 year	12	2	–	14
Payables: amounts falling after more than 1 year	118	34	–	152
	130	**36**	**–**	**166**
Expected receipts from sub-leases	4	–	–	4
Leases to which short-term exemption is applied				
Less than six months	–	–	–	–
Greater than six months but less than one year	–	–	–	–
Later than one year and not later than five years	–	–	–	–
Later than five years	–	–	–	–
	–	–	–	–
Leases to which low value exemption is applied				
Less than one year	–	–	–	–
Later than one year and not later than five years	–	–	–	–
Later than five years	–	–	–	–
	–	**–**	**–**	**–**

20.2.3 2022

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

	Department & Agencies	Group
	£m	**£m**
Land and buildings		
Not later than one year	17	22
Later than one year and not later than five years	60	62
Later than five years	239	239
	316	**323**
Expected receipts from sub-leases	–	–
	316	**323**
Other		
Not later than one year	–	–
Later than one year and not later than five years	–	–
Later than five years	–	–
	–	**–**

20.3 Obligations under PFI contracts (on-balance sheet)

The total amount charged in the SoCNE in respect of the service element of on-balance sheet PFI or other service concession transactions was £3,000 (2021-22: £7,000). Total future obligations under on-balance sheet PFI and other service concession arrangements are given in the table below for each of the following periods.

	2023		2022	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Minimum lease payments				
Due within one year	61	61	50	50
Due later than one year and not later than five years	241	241	199	199
Due later than five years	840	840	722	722
	1,142	**1,142**	**971**	**971**
Less interest element	(546)	(546)	(593)	(593)
Present value	**596**	**596**	**378**	**378**
Service elements due in future periods				
Due within one year	7	7	18	18
Due later than one year and not later than five years	39	39	79	79
Due later than five years	220	220	409	409
	266	**266**	**506**	**506**
Total commitments	**862**	**862**	**884**	**884**

Under the terms of the PF2 agreement (the Group's only PFI transaction), the Group is committed to pay unitary service charges regarding each batch for the twenty-five-year operational period of the schools constructed under the financing transaction.

20.4 Other financial commitments

The Group has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements), which include but are not limited to the previous student loan debt sale, technical adviser fees for school development sites and marking key stage tests. The payments to which the Group are committed are as follows.

	2023		2022	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Non-cancellable contracts				
Not later than one year	83	88	91	95
Later than one year and not later than five years	63	66	140	140
Later than five years	73	73	1	1
	219	**227**	**232**	**236**

No commitments are included here in respect of student loans, as loan repayments only become due when student attendance is confirmed at the start of each term.

20.5 Education funding commitments

	2023		2022	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Not later than one year	5,231	5,801	5,570	6,021
Later than one year and not later than five years	4,188	5,753	4,170	5,700
Later than five years	4,601	4,601	5,305	5,305
	14,020	**16,155**	**15,045**	**17,026**

Education funding commitments include those for private finance initiative grants to LAs and voluntary aided schools; those with training providers including apprenticeship training providers.

The Group has commitments to apprenticeship training providers for English apprentices who are already enrolled on training courses as at the year end. The Group's commitments cover the remainder of the courses but will only crystallise when the apprenticeship training has taken place.

21. Contingent liabilities

21.1 IAS 37 contingent liabilities

21.1.1 Quantifiable

The Group holds no quantifiable contingent liability as described by IAS 37 (2021-22: one). The one contingent liability disclosed last year settled in the year.

21.1.2 Unquantifiable

The Group has identified the following unquantifiable contingent liabilities.

Guarantee to the Local Government Pension Scheme

A guarantee to Local Government Pension Scheme funds to meet pension deficits if an AT closes. The Department considers the guarantee to be unquantifiable due to the extent of the academy sector and the uncertainty over whether an academy will fail without being able to transfer staff to the successor academy trust.

The guarantee is unlimited, but the Department has agreed with HMT that we can pay out up to £20 million in any given year before requiring additional HMT approval. During the year, the Department settled £890,000 (2021-22: £5.5 million) under the guarantee.

Adjudication

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

22. Related party transactions

The Department is the parent of the Agencies and sponsor of the NDPBs shown in note 23. These bodies are regarded as related parties with which the Department has had various material transactions during the year. These are mainly financing to the Agencies and payments for grant-in-aid to the NDPBs. All such transactions have been eliminated during the preparation of these consolidated accounts.

Relationships with academy trusts, and their academies, are classified as related parties only at the trust-level which is the corporate body. Therefore, only Departmental board members who are trustees of academy trusts are classified as being a related party. The Department considers governors of local governing bodies for individual academies are insufficiently influential at the trust-level, not being trustees, to be classified as related parties. We also take the same view on governors of LA maintained schools. Local governorship is too distant from a LA's decision-making process to trigger a related party relationship to the governor.

In addition, the Group has had a number of transactions with other government departments, other central government bodies and LAs. Most of these transactions have been with the Government Property Agency and LAs. The Department also makes pension contributions into public sector pension schemes.

As well as the disclosures in the Remuneration and Staff Report, the following relationships are also considered as related parties and have therefore been disclosed in line with the accounting standard. Transactions are classified as related party transactions if they occurred during the period the board member named held office.

Disclosures are split between those individuals who were board members as at the year end below, and those whose term as a board member ended during the year. The following are related party transaction disclosures for those board members in post at year end:

- Gillian Keegan's spouse is:
  - a non-executive director at Centerprise International Holdings Limited
  - vice-chairman at Tech UK
- Nick Gibb's spouse is the Chief Executive Officer of Yonder Consulting Limited
- Jane Cunliffe was a trustee at The Howard Partnership, a multi-academy trust (to 21 December 2022)
- Julia Kinniburgh is a governor at St Bede's School Redhill
- Jack Boyer is:
  - the Chair of Trustees at the University of Bristol
  - Jack Boyer's spouse is the Chair of Trustees at SafeLives
- Stuart McMinnies is a non-executive director at Ardent Hire Solutions
- Sir Peter Bazalgette:
  - is the Chair of Council at the Royal College of Art
  - Sir Peter Bazalgette's spouse is a non-executive director at the Intellectual Property Office

Related party disclosures for those board members who were no longer board members as at the year end are also given below. The date individuals ceased to be a board member, and so cease to be included in related party disclosures, can be found in the Accountability Report.

- Ian Ferguson's partner was chief executive of Edmonton Academy Trust and head teacher of one of the trust's academies, Edmonton County School
- Mike Green was a governor at Nottingham College
- Graham Archer was a trustee at the US-UK Fulbright Commission
- Paul Kett was a member of the Council at the Open University

The following table shows the value of material related party transactions entered into during the year and the closing amounts due to or from the counterparty. Where individuals left the Group in the year, the balances disclosed are as at their leaving date. Spending disclosed below for academy trusts include all transactions which occurred with their relevant academies. Spending with education bodies is predominantly formulaic policy funding under the terms of the relevant funding streams available to the education providers.

	2022-23		2021-22	
	Net payments/ (receipts)	Receivable/ (payable)	Net payments/ (receipts)	Receivable/ (payable)
	£000	£000	£000	£000
Academy trusts				
Edmonton Academy Trust	21,201	–	19,700	–
The Howard Partnership Trust	7,498	(9)	–	–
Other education sector bodies				
St Bede's School Redhill	115	–	–	–
University of Bristol	39,636	12	–	–
Open University	43,656	–	–	–
Royal College of Art	5,077	–	–	–
Nottingham College	4,969	–	59,000	7,291
University of Surrey	–	–	16,821	8
The US-UK Fulbright Commission	857	–	–	–
Non-government bodies				
CityLit	–	–	520	–
Yonder Consulting Limited	589	–	91	(24)
Hays Travel Limited	–	–	287	–
Howden Joinery Group PLC	–	–	469	–
British Chamber of Commerce	–	–	18	–
Birmingham 2022 Commonwealth Games Organising Committee	–	–	40	–
SafeLives	1	–	–	–
Intellectual Property Office	1	–	–	–
Ardent Hire Solutions	8	1	–	–
Centerprise International Holdings Ltd	90	–	–	–
Tech UK	2	–	–	–

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

23. Entities within the Group boundary

23.1 Closing position

The entities within the boundary during 2022-23 comprise Supply financed Agencies and those entities listed in the Designation and Amendment Orders presented to Parliament.

A dis-aggregation across reporting bodies of operating income, operating expenditure and net expenditure for the year is presented in annex E.

They are:

Executive Agency:

- Education and Skills Funding Agency (ESFA)
- Standards and Testing Agency (STA)
- Teaching Regulation Agency (TRA)

Executive NDPB:

- Children's Commissioner's Office (CCO)
- Construction Industry Training Board (CITB)
- Engineering Construction Industry Training Board (ECITB)
- Institute for Apprenticeships and Technical Education (IfATE)
- Located Property Limited (LocatED)*
- Oak National Academy Limited (Oak)*
- Office for Students (OfS)
- Student Loans Company Limited (SLC)*
- Social Work England (SWE)

Advisory NDPB:

- School Teachers' Review Body (STRB)*

Other:

- Aggregator Vehicle PLC*

* ARAs of these bodies (Oak National Academy Limited. Student Loans Company Limited, Aggregator Vehicle PLC and Located Property Limited) are available on Companies House. The STRB does not produce their own ARA.

23.2 Movement in the year

The Department launched Oak from 1 September 2022, the movement did not have a material impact on the Group's performance.

24. Events after the reporting period

24.1 Student loan valuation

The valuation of student loans is complex and reliant upon forecasts of economic factors both near-term and longer-term over the life of the loans. Economic uncertainty has continued since the year end with economic measures deteriorating.

Management judges the change in economic values post-year end to be a non-adjusting event because the conditions causing the changes occurred after the year end. Therefore, no adjustment has been paid to the carrying values of student loans in this ARA. Whilst the Department has not quantified the potential impact of the changes close to authorisation of these accounts, the size of the student loans portfolio means it could be material.

24.2 Authorisation

These accounts were authorised for issue by Susan Acland-Hood (Accounting Officer) on the date they were certified by the Comptroller and Auditor General. There have not been any significant post year end events that have required disclosure in the accounts.

PHOTO REDACTED DUE TO THIRD PARTY RIGHTS OR OTHER LEGAL ISSUES

PHOTO REDACTED DUE TO THIRD PARTY RIGHTS OR OTHER LEGAL ISSUES

PHOTO REDACTED DUE TO THIRD PARTY RIGHTS OR OTHER LEGAL ISSUES

Annex A – Additional performance reporting

Better regulation

The Department is committed to the principles of better regulation, while recognising the need to balance this with its responsibilities to safeguard children and young people, ensure they have a good education and enforce standards. We do this through internal scrutiny of policy initiatives to ensure that regulations which impact business and civil society are both proportionate; and are introduced only where there is a clear case for doing so. Stakeholders in these sectors include childminders, nurseries, schools and higher education providers.

The Department has continued to promote effective policy making through robust assessment of evidence and proportionate impact assessments.

Business Impact Target

The Better Regulation: Government's Annual Report 2021–2022[69] reported that one qualifying regulatory provision was delivered against the Business Impact Target during the third reporting period of this Parliament (17 December 2021 – 16 December 2022). The Skills and Post–16 Education Act 2022 contained a series of measures to help to reform the provision of FE and access to FE. The Act will improve alignment between the needs of potential employers and the courses or qualifications offered; make changes to the regulatory and governance systems overseeing the FE sector and amend the constraints on access to student finance.

The economic impact of the Skills and Post–16 Education Act 2022 was a cost to business of £89 million. For all the reporting periods to date of this Parliament, the economic impact of the Department's qualifying regulatory provisions is a £611 million benefit to business.

Legislative non–qualifying regulatory provisions that came into force or ceased to be in force that fell within the +/–£5 million de minimis threshold included:

- statutory underpinning for LSIPs
- flexi–job apprenticeships
- duty on colleges and designated institutions in relation to local needs
- statutory FE intervention powers
- improvements to the FE insolvency regime
- standards for residential special schools
- standards for boarding schools
- Keeping Children Safe in Education
- Higher Education ([Other] Fees) (England) Regulations 2022

69 https://www.gov.uk/government/collections/business-impact-target-annual-reports

Post-implementation reviews

The Department did not complete any statutory post-implementation reviews in the reporting period.

Alternatives to regulation

The Department wants to ensure that all regulations are fair and effective. Complying with regulation costs businesses time and money, and red tape can make running businesses unnecessarily difficult. The Department's policy tests are a framework for improving policymaking, and its delivery tests flesh out the key delivery issues. Questioning the purpose of the policy, the role of government, the evidence base, and the creativity and deliverability of the policy helps policy makers to consider alternative approaches, tools and methods.

Behavioural insights can help us understand how people make decisions, why people behave the way they do and what we might do to change behaviour. The Department's Behavioural Insights Unit aims to increase the impact and efficiency of education and children's services policy by applying behavioural science throughout the work of the Department. Its aims are to support the Department to use behavioural insights to tackle policy challenges, help commission high-quality behavioural research and build the Department's knowledge and ability to apply behavioural insights.

Fire, health and safety

The Department is committed to ensuring the health, safety and wellbeing of staff, contractors and all others who could be affected by its activities. It fully accepts its responsibilities under the Health and Safety at Work etc. Act 1974.

We recognise that effective management of fire, health and safety makes a significant contribution to our overall business performance and strategic aims, as well as a positive impact on the wellbeing of staff. The Department acknowledges that positive, proportionate health and safety risk management prevents harm and enables efficient delivery of services across the Department.

During this financial year we have worked hard to improve health and safety at our sites and for the benefit of staff. We have run several courses on evacuation chairs for users and operatives to ensure that our most vulnerable staff and visitors are fully supported when needing to evacuate. We have worked hard to improve policies, guidance and documentation to ensure our staff understand what is required of them and how we can help. Improving health and safety culture is important to the Department and we will continually look to improve this through the course of our work. We are bringing in a new health and safety online system which will aid us in ensuring legal compliance, but also include further training to support, educate and assist our staff as required.

Category	2022-23	2021-22	2020-21	2019-20	2018-19
Total number of employee accidents/ incidents	18	1	4	18	11
Total number of non–employee/member of public/detainee accidents/incidents	–	2	22	–	–
Total number of near misses	3	4	1	3	1
Total number of reporting of injuries, deaths and dangerous occurrences regulations	–	–	–	–	–
	21	**7**	**27**	**21**	**12**

The Department's accident and incident data illustrates an increase in the total number of reported accidents and incidents in comparison to last year, due to more staff now attending the office following the COVID-19 pandemic. The Department has invested in promoting a positive health and safety culture and has worked to improve reporting processes, making it easier for staff to report.

Personal data breaches

All departments are required to report personal data breaches formally to the Information Commissioner's Office (ICO) that have occurred during the financial year in accordance with the standard disclosure format issued by the Cabinet Office. The disclosures below cover the Department and its three Agencies since the Department's Office of Data Protection Officer (ODPO) is responsible for data reporting for all four bodies.

A 'personal data breach' is defined as a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data transmitted, stored or otherwise processed. Personal data breaches are required by law to be reported to the ICO where there is a likely risk to data subjects as a result, within 72 hours of discovery. Two personal data breaches were formally notified to the ICO in 2022-23 and are summarised in the table below:

Incident 1 – July 2022

Nature of incident

Lost data/hardware

Nature of data involved

A personal laptop belonging to a member of staff was lost on a train.

Number of people potentially affected

nil

Notification steps

11 July 2022, incident reported to the Department

11 July 2022, incident reported to the ICO by ODPO

15 July 2022, incident acknowledged by ICO

15 July 2022, further information provided to ICO by ODPO

20 July 2022, ICO confirmed no further action to be taken

Further action on information risk

The decision to notify the ICO was based on initial information provided relating to this incident. Further updates provided confirmed that appropriate technical and procedural controls were in place that meant no personal data was held on the laptop itself. Therefore, the likelihood of a risk materialising to data subjects was considered to be unlikely/low.

Incident 2 – July 2022

Nature of incident

Cyber – ransomware

Nature of data involved

A supplier to the Department was subjected to a cyber–attack by a malicious third party, Departmental data was included within information encrypted by ransomware.

Number of people potentially affected

1,451

Notification steps

13 October 2022, incident reported to the Department

14 October 2022, incident reported to the ICO by ODPO

28 October 2022, update received from supplier

1 November 2022, ICO requested more information

8 November 2022, additional information provided

18 November 2022, ICO confirmed no further action for Department.

Further action on information risk

The supplier reported the incident to the ICO directly as an independent data controller and provided detailed information and assessments of the level of risk posed by the incident.

Addendum

In March 2023, a supplier of a number of contracted services to the Department, suffered a cyber–attack. Details were not provided of any Departmental impact until late April 2023, at which point an initial referral to the ICO was made.

Date of incident:

March 2023

Nature of incident

Cyber – ransomware

Incident details:

A supplier to the Department was subjected to a cyber–attack by a malicious third party, Departmental data was included within information encrypted by ransomware

Notification steps

31 March 2023, reported to the Department

24 April 2023, incident reported to the ICO by the ODPO

Further information

This is an ongoing incident

Data breaches

The total number of personal data breaches reported are summarised in the table below. Incidents which do not fall within the criteria for reporting to the ICO, but are recorded centrally within the Department, are included. Incidents deemed to be a near–miss, or those not involving personal data, are not included.

Nature of incident	2022-23	2021-22
Data emailed/email sent to incorrect recipient	73	86
Wrong data subject shown/provided	23	–
Data posted or faxed to incorrect recipient	11	20
Failure to redact	14	17
Failure to use BCC	20	15
Insecure sharing of personal data	15	15
Insecure storage of personal data	7	1
Loss/theft of device containing personal data	3	–
Loss/theft of paperwork or data left in insecure location	4	1
Other non–cyber incident	27	3
Personal data incorrectly shared	19	11
Personal data retained for too long	2	–
Unauthorised access	6	–
Verbal disclosure of personal data	–	6
Cyber – brute force	1	–
Cyber – hardware/software misconfiguration	1	–
Cyber – phishing	1	–
Cyber – ransomware	2	–
Cyber – unauthorised access	2	–
Other	–	30
	231	**205**

In 2022-23, nearly a third of other incidents above were due to data sent by email to incorrect recipients. Other incidents also included failure to redact, data of wrong person provided and data posted or faxed to incorrect recipients. In 2021-22, nearly half of other incidents above were due to data sent by email to incorrect recipients. Other incidents also included failure to redact data and data posted or faxed to an incorrect recipient.

The information contained in the table above only relates to personal data security for the Department and its Agencies. The Department's NDPBs report personal data related incidents in their own ARAs.

Departmental correspondence

All government departments and executive agencies have published targets for answering correspondence. The Cabinet Office's minimum target is for departments to reply to 95% of all correspondence within 20 working days. The Department has set itself the more challenging target of replying to 95% of 'treat official' correspondence within 15 working days and ministerial correspondence within 18 working days. Timeliness for treat official correspondence has significantly improved.

The correspondence recovery plan was impacted by a number of back–to–back changes to the ministerial team and their portfolios. Combined with the Queen's mourning period, and an increase in the volume of letters from key stakeholders, this resulted in significant pinch points in the year and led to delays in clearing ministerial correspondence within our deadlines. The variations are documented in quarterly returns to Cabinet Office.

Freedom of information requests have a deadline of 20 working days as governed by the ICO.

Treat official correspondence

	2022-23	2021-22	2020-21	2019-20	2018-19
Internal 15-day deadline					
Number	21,463	22,977	30,904	21,765	23,037
Deadline met	69%	51%	51%	89%	92%
20-day deadline					
Deadline met	80%	64%	61%	95%	96%

Ministerial correspondence

	2022-23	2021-22	2020-21	2019-20	2018-19
Internal 18-day deadline					
Number	9,795	10,014	28,298	7,267	8,584
Deadline met	53%	71%	24%	91%	93%
20-day deadline					
Deadline met	58%	74%	39%	93%	95%

Freedom of information requests

	2022-23	2021-22	2020-21	2019-20	2018-19
20-day deadline					
Number	2,281	2,237	2,330	3,133	2,825
Deadline met	79%	73%	78%	88%	85%

Communications, publicity and advertising

In 2022-23, the Department continued to deliver communications activity in support of ministerial priorities and the wider government communications plan across its remit of skills, schools and families. This included delivering joined up campaigns to support the government's ambitious skills reform programme, a new campaign to attract professionals to share their skills by becoming FE teachers and supporting new ministers who joined the Department throughout the year.

As part of this work, we have aligned our communications with the PM's five promises[70] and a particular focus on the Department's essential role in growing the economy by providing world class education and supporting families.

The communications profession within the Department continued to play an important role in both accountability and as a lever for change by delivering against its core purpose:

- changing the attitudes and behaviour of parents, pupils and students, adult learners, employers and teachers
- delivering an operationally effective service to the public and meeting the Department's responsibilities as a department of state
- protecting and improving the Department's reputation and responding at times of crisis
- explaining our policies to the public through the media and social content
- engaging our staff and keeping them informed

Every policy is important, and all the Department's work is valuable. However, to make sure that our resources align with ministerial, government and Departmental priorities and to focus where communications can have the greatest impact, we focused on five priorities throughout the year:

- improving the profile and prestige of FE and skills, increasing supply and demand for technical qualifications and skills offers and explaining how they will lead to good jobs
- inspiring more people to teach in schools and colleges and to keep great teachers teaching
- explaining how we are levelling up education standards in school, including how we are helping children and young people to recover lost learning
- improving outcomes for under 5s by maximising take up of quality childcare
- explaining how we are improving outcomes for all children and young people by reforming SEND and CSC

Most communications continue to be delivered in–house at no additional cost, as part of cross-government campaigns or at low cost by supporting and co–ordinating partners' activity.

Communications Directorate had the following staff and spend on centrally commissioned activity (not including campaigns funded by business areas). This spend falls within budget.

70 https://www.gov.uk/government/news/prime-minister-outlines-his-five-key-priorities-for-2023

	2022-23	2021-22	2020-21	2019-20	2018-19
Number of staff	75	75	83	80	79
Spend on activity (£000)	£332	£288	£1,422	£580	£646

Payments policy

Under the Public Contract Regulations 2015, the Department is legally required to pay correctly submitted invoices within 30 days of receipt from the day of physical or electronic arrival at the nominated address of the Department. In addition, it is practice for the Department to pay all correctly submitted invoices within five calendar days.

The Department and Agencies publishes its prompt payment data online.[71]

Complaints policy

The Department publishes its complaint procedure policy and guidance.[72]

Schools guidance on how to complain about a maintained school,[73] academy or free school and how the Department will consider your complaint is also published.

Complaints to the Parliamentary Ombudsman

The Parliamentary and Health Service Ombudsman considers complaints about a service provided by the NHS or a government department, agency or other organisation acting on their behalf, providing that the body falls within its jurisdiction and that it has been referred to the Ombudsman by an MP. Cases which relate to LAs and schools (where most of the services are delivered to the public) are normally outside the Ombudsman's jurisdiction.

The table below shows the complaints about the Group that the Ombudsman processed in 2021-22. This is the most up–to–date information at the time of reporting. There were no recorded complaints against the Office of the School's Adjudicator in the 2021-22 reporting year.

71 https://www.gov.uk/government/publications/prompt-payment-data-for-dfe
72 https://www.gov.uk/government/organisations/department-for-education/about/complaints-procedure
73 https://www.gov.uk/complain-to-dfe

				2021-22
	Depart	Agencies	NDPBs	Group
Enquiries received	33	23	156	212
Concluded at initial checks and preliminary investigation	31	26	156	213
General discretion	1	7	17	25
Specific discretion	2	–	–	2
Premature complaints	6	4	35	45
Complaints not properly made	20	9	88	117
Complaints out of remit	2	1	2	5
Complaints withdrawn	–	1	6	7
Other	–	4	8	12
Complaints accepted for investigation	1	–	4	5
Detailed investigations concluded	–	–	4	4
Investigations upheld or partly upheld	–	–	3	3
Investigations not upheld	–	–	1	1

				2020-21
	Depart	Agencies	NDPBs	Group
Enquiries received	28	28	116	172
Concluded at initial checks and preliminary investigation	28	24	112	164
General discretion	4	5	17	26
Specific discretion	–	2	3	5
Premature complaints	6	5	31	42
Complaints not properly made	15	7	50	72
Complaints out of remit	–	3	4	7
Complaints withdrawn	3	–	2	5
Other	–	1	–	1
Complaints resolved through intervention	–	1	–	1
Complaints accepted for investigation	–	–	5	5
Detailed investigations concluded	–	1	5	6
Investigations upheld or partly upheld	–	1	5	6

The enquiries received rows above are the number of enquiries the Ombudsman received in a given year; qualifying complaints are then assessed and either closed, resolved through intervention or accepted for investigation.

Investigations resolved without a finding are complaints where the Ombudsman starts an investigation but is able to resolve the complaint without having to formally complete the investigation.

Investigations discontinued are complaints where the Ombudsman ends the investigation for a variety of reasons, for example, because the complainant asked them to.

Effectiveness of whistleblowing arrangements

The Department has stringent whistleblowing processes and procedures in place.

Following minor amendments to the Department's whistleblowing policy to reflect recommendations from GIAA following their audit in December 2020, the Department reviewed and published a revised whistleblowing policy in March 2021. This makes the process more transparent and streamlined so that employees who 'blow the whistle' know they are protected from any potential repercussions and that their concerns will be impartially and independently investigated.

The Department also has a dedicated whistleblowing mailbox and ensures that cases are monitored and progressed without undue delay.

Five whistleblowing cases have been raised in the past twelve months, of which, one is currently still under investigation. The four cases closed had no case to answer or no evidence of wrongdoing. There was an increase of one, from four cases last year. This number has been restated as there was an error in the published number of cases in the 2021-22 ARA: case numbers were reported based on calendar year rather than financial year which resulted in cases from 2020-21 being included.

Sponsorship agreements over £5,000

There were no sponsorship agreements in the year (2021-22: none).

Annex B – Sustainability reporting

Background

The Group has two separate exposures to climate change and sustainability, our own activities covered by this ARA and our policy responsibility for the education and CSC sectors.

The Department recognises its responsibilities to the Greening Government Commitments (GGCs), 25 Year Environment Plan, and forthcoming Environmental Principles – and we are incorporating climate change considerations in our operational delivery and policy development. The GGCs affect how we operate as an organisation and our ways of working. We have plans of how the Department's staff can support us in ensuring we meet these centrally mandated targets.

A Sustainability and Climate Change Unit was set up in April 2021 to embed sustainability across the education system as well as into the Department's operations and education policies.

In April 2022, the Department launched the Sustainability and climate change: a strategy for the education and children's services systems.[74] This set out how the Department would support education settings so that the UK's education sector can become world–leading in sustainability and climate change by 2030. However, importantly, it also included a commitment to launch a Corporate Sustainability Strategy. This was published in March 2023, outlining our commitments up to 2025 to align with our corporate plans to achieve the GGCs.

Schools are out of scope for GGCs, but the Department has acknowledged the impact climate change has, and will have, on the education and CSC sectors. The Department also recognises the contribution it can make to help create a sustainable future through education, developing the skills needed for a green economy, supporting our sectors reach net zero targets and furthering our work in sustainable development in our school building programmes. The action we are taking is set out in the Department's Sustainability and Climate Change Strategy.[75]

We aspire to lead our organisation and our sectors towards a more sustainable future, as well as being active contributors to cross–government priority outcomes, strategies and programmes.

74 https://www.gov.uk/government/publications/sustainability-and-climate-change-strategy/sustainability-and-climate-change-a-strategy-for-the-education-and-childrens-services-systems
75 https://www.gov.uk/government/publications/sustainability-and-climate-change-strategy

Scope of the following disclosures

This annex has been prepared in accordance with HMT's Sustainability Reporting Guidance 2022-23[76] and covers two separate spheres of activity:

- GGCs – quantified disclosures along with policy statements relating to the Group's own activities. We also set out here our Corporate Sustainability Strategy and our corporate office Estates Sustainability Strategy
- the Department's Sustainability and Climate Change Strategy – description of policy aims and activities for the education and children's services system (such as schools) whose activities are not included within the scope of this ARA, but for which the Department retains policy responsibility

As required in Sustainability Reporting Guidance (SRG), the GGC disclosures below include all Group bodies (see note 23). Accordingly, some public bodies in education sectors (eg Ofsted, Ofqual, schools and colleges) are excluded from these GGC disclosures since they are not part of the Department's financial reporting group covered by this ARA.

In accordance with the SRG all disclosures are for the 2022-23 unless otherwise noted, departures from the financial year period are explained.

The Department is unable to report data from locations where property owners are not obliged to provide and some data will be estimated. The data below shows the position for 2022-23 against a 2017-18 baseline, using data available up to March 2023. Our sustainability performance data is audited by Carbon Smart on behalf of Defra.

Greening Government Commitments

The Group continues to report against the 2017-18 baseline to meet our GGCs, and we have effectively reduced utilities usage and waste across the whole estate.

The Department has developed an operational estates sustainability management plan, which outlines our values and intended interventions required to reach the GGC targets.

The Department has developed a corporate office Estates Sustainability Strategy which comprehensively outlines our Net Zero road map for the next three years and the strategy required to meet the GGCs targets set out by 2025.

We have recruited sustainability expertise and a corporate office Estates Sustainability Manager to bring focus to ensure our office estate, operations, and policies support resilience and adaptation.

We have continued to implement a range of practical interventions in the education estate which will drive forward knowledge of how to achieve sustainable outcomes economically and efficiently whilst supporting the overall aim of productive learning environments.

76 https://www.gov.uk/government/publications/public-sector-annual-reports-sustainability-reporting-guidance-2022-to-2023

Corporate Sustainability and Climate Change Strategy

The Corporate Sustainability and Climate Change Strategy demonstrates how we will embed sustainability across everything we do – from how we maintain and use our office estate, to our decision–making and business processes, policy development and training our people.

It sets out how the Department will:

- embed environmental considerations into the Department's policy development and delivery, including preparations to comply with the Environmental Principles legal duty coming into force in November 2023
- protect and enhance the environment in the Department's operations as an organisation, including our offices, business travel and use of ICT, in line with the GGCs

As part of this, climate literacy training is now available to all of the Department's staff. This is accredited by the Carbon Literacy Project[77] and includes the science of climate change, how this links with education policy and disadvantage, and how to comply with the Environmental Principles.

Greening Government Commitments reporting

The Department is committed to a number of targets including the mandatory GGCs for reducing energy, water, paper, travel emissions and waste management. These targets were updated during 2021-22 with a new target period to 2025. The greenhouse gas emissions target for the Department is a reduction of 56% in total emissions, 36% in direct emissions and to reduce water consumption compared to the 2017-18 baseline. Waste targets are less than 5% sent to landfill and at least 70% sent to be recycled.

Scope

The data below shows the Department's present position for 2022-23 against a 2017-18 baseline (unless otherwise stated). Environmental data is for a 12–month reporting period from January 2022 to December 2022. In accordance with annual reporting conventions across other government departments, the Department's non-financial indicators are compiled using data from the final quarter of the previous reporting year plus the first three quarters of the current reporting year. 2021-22 non-financial indicators have been restated to include actual environmental performance for 2021-22.

Governance and data validation

The Government Property Agency (GPA) was responsible for managing the property portfolio for the Department and its Agencies in 2022-23. However, overall responsibility for sustainability remains with the Department. Internal data validation checks are carried out by Avieco, who are retained by our landlord (GPA) to monitor performance. In order to report the greenhouse gas emissions associated with activities, 'activity' data such as distance travelled, litres of fuel used, or tonnes of waste disposed has been converted into carbon

77 https://carbonliteracy.com/

emissions. The greenhouse gas conversion factors used in this report can be found in the government environmental impact reporting requirements for business.[78]

Governance

The Department undertakes a stringent monitoring regime in relation to GGC performance management, working closely with GPA as property asset managers and our NDPBs.

This is supplemented by periodic audits conducted by the GIAA, reported to the Accounting Officer via the Department's finance function.

Internal and cross–governance arrangements are also in place for the phases of development and delivery of initiatives set out within the Department's Sustainability and Climate Change Strategy. These are regularly reviewed by the GIAA.

In addition to the internal governance process, external audits are also undertaken to assure processes and systems including methodologies for recording, analysing and verifying data, as well as the calculations for quarterly GGC returns. These external validation audits are carried out on Defra's behalf by Carbon Smart. The vast majority of this report has been compiled using accurately measured data, verified through internal controls. This includes checking samples of automatically generated meter–reading data with manual meter reads. Where complete data sets have not been available, (for example through lack of detail, or due to landlord service charges), internal benchmark figures have been applied based on known parameters and data sets.

Exemption from GCC reporting

No new exemptions have been identified in 2022-23.

78 https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting

Summary of GGC performance

Below is a summary of performance against the GGC quantitative targets which largely relate to office estate–based activities (the first target also includes scope 3 business travel emissions). The years between 2017-18 and 2022-23 are not part of the current target. Performance indicators for these years relate to the previous GGC targets.[79]

Overall GGC performance

Requirement	Actual performance against baseline					
	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
		(Restated)				Baseline
Reduce overall greenhouse gas emissions by 56% (tCO_2e)	43%	44%	48%	11%	4%	11,436
Reduce direct greenhouse gas emissions by 36% (tCO_2e)	4%	(13%)	(20%)	(16%)	(30%)	1,702
Reduce the overall amount of waste generated by 15% (tonnes)	36%	41%	54%	(32%)	(38%)	725
Reduce the amount of waste going to landfill to less than 5% of overall waste (tonnes)	3%	6%	1%	5%	6%	22%
Increase the proportion of waste which is recycled to at least 70% of overall waste (tonnes)	74%	72%	70%	82%	83%	59%
Reduce water consumption by at least 8% (m^3)	60%	45%	19%	(5%)	(20%)	71,154

Achievement against target

In 2022-23, the Department:

- saw a decrease in electricity, gas and water use compared to the baseline year
- is yet to meet the GGC targets for greenhouse gas (GHG) reduction but has seen a 43% decrease for in–scope overall emissions and 4% decrease for in–scope direct emissions. The GHG emissions target for overall emissions by 2025 is a reduction of 56% compared to a 2017-18 baseline
- met all targets related to waste reduction, waste management and water consumption

Emission scopes

The emission scopes[80] can be explained as:

- Scope 1 (direct GHG emissions) – these occur from sources owned or controlled by an organisation. Examples include emissions as a result of combustion in boilers owned or controlled by the organisation and emissions from organisation–owned fleet vehicles.

79 https://www.gov.uk/government/publications/greening-government-commitments-2016-to-2020
80 https://www.gov.uk/government/publications/environmental-reporting-guidelines-including-mandatory-greenhouse-gas-emissions-reporting-guidance

- Scope 2 (energy indirect emissions) – these are emissions a body makes indirectly, like when the electricity or energy it buys for heating and cooling buildings, as a result of electricity consumed which is supplied by another party. For example, electricity supply in buildings or outstations; also includes other purchased indirect emission source such as heat, steam and cooling.
- Scope 3 (other indirect GHG emissions) – all other emissions which occur as a consequence of activity, but which are not owned or controlled by the accounting entity, this is primarily business travel emissions.

Group operational activities

The Department has decreased its total in–scope gross GHG emissions (total emissions – Scope 1, 2 & 3) by 43% since the 2017-18 baseline year. It is worth noting that travel emissions were heavily reduced during periods of COVID–19 restrictions.

Non-financial indicators in tonnes (tCO_2e)

	Actual performance					
	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
		(Restated)				Baseline
Total gross Scope 1 emissions	1,602	1,917	2,043	1,981	2,206	1,702
Total gross Scope 2 emissions	3,142	3,316	3,460	5,049	5,684	6,132
Total gross Scope 3 emissions	1,725	1,125	461	3,164	3,060	3,602
Total emissions	**6,469**	**6,358**	**5,964**	**10,194**	**10,950**	**11,436**

Non-financial indicators (KWh)

	Actual performance					
	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
		(Restated)				Baseline
Electricity:						
non-renewable	14,612,000	13,989,000	13,708,000	18,560,000	19,530,000	16,708,000
renewable	904,000	903,000	615,000	710,000	84,000	283,000
Gas	8,575,000	10,318,000	11,080,000	10,436,000	11,708,000	8,993,000
Gas oil	–	–	–	–	–	2,000
Steam	829,000	899,000	702,000	702,000	702,000	802,000
Diesel	–	–	–	–	15,000	13,000
Total energy	**24,920,000**	**26,109,000**	**26,105,000**	**30,408,000**	**32,039,000**	**26,801,000**

The Department has been unable to collect and apportion financial information for the sustainability disclosures for 2022-23. The Department continues to work with the third-party suppliers who manage the Department's sustainability activities with the aim to provide the disclosures for 2023-24.

Minimising waste and promoting resource efficiency

Non-financial indicators (tonnes)

	Actual performance					
	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
		(Restated)				Baseline
Hazardous waste	–	–	–	–	–	–
Non–hazardous waste:						
landfill	13	23	5	44	66	146
reused/recycled	347	311	231	787	832	444
composted	21	18	33	15	21	8
ICT waste:						
reused	–	–	–	–	–	–
recycled	unknown	29	3	4	27	13
Waste incinerated with energy from waste	86	79	62	112	83	127
Total waste	**467**	**460**	**334**	**962**	**1,029**	**738**

Waste has decreased by 36% since 2017-18 with 3% of waste sent to landfill and 74% is recycled.

The Department was required to measure and report on food waste by 2022 (for office estate with over 50FTE or over 500m^2 of floor area offering a food services).

The Department has been unable to collect financial information for the sustainability disclosures for 2022-23. The Department continues to work with the third-party suppliers who manage the Department's sustainability activities with the aim to provide the disclosures for 2023-24.

Water consumption

	Actual performance					
	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
		(Restated)				Baseline
Total water consumption (m^3)	28,277	22,674	57,324	74,393	85,588	71,154

Since 2017-18, the Department has decreased water use by 60%.

Paper usage

The target is to reduce government’s paper use by at least 50% from a 2017-18 baseline.

	Actual performance					
	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
						Baseline
Reams	11,816	12,385	12,369	22,348	34,374	27,250
(Reduction)/increase on baseline	(57%)	(55%)	(55%)	(18%)	26%	N/A

Paper usage is currently reduced by 57%.

Consumer single use plastics

Within our office estate, the Department remains committed to removing consumer (avoidable) single use plastics from its office estate in line with the government’s pledge in the 25-year environmental plan. Considerable success has already been achieved across the Department’s core office estate, where possible we have made every effort to remove plastic cutlery, cups, straws and to improve the recyclability of takeaway containers. Other initiatives included the introduction of “bring your own” policies so that reusable coffee cups, containers and cutlery is used over other disposable or recyclable alternatives. The Department plans to expand on these initiatives to further reduce plastics as well as work more closely with NDPBs and landlords and their caterers, where facilities are indirectly managed, to make stakeholders aware of the elimination scheme and encourage their participation.

Removal of single use plastics

	Actual performance					
	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
						Baseline
Number of items removed	210,513	105,568	N/A	N/A	N/A	N/A

Data for consumer single use plastics was not collated prior to 2021-22; 2021-22 data only comprises of Q1-3 procurement.

Travel

	Actual performance					
	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
						Baseline
Distance travelled (000s km)						
Domestic flights	42.9.9	19.4	N/A	N/A	N/A	N/A
International flights	475.7	27.3	N/A	N/A	N/A	N/A
Trains	11,898.8	N/A	N/A	N/A	N/A	N/A
Emissions (tCO_2e)						
Domestic flights	11.6	6.8	1	88	136	130
International flights	216.5	6.8	N/A	N/A	N/A	N/A
Trains	422.3	N/A	N/A	N/A	N/A	N/A
ULEVs						
% of overall fleet	N/A	3.6%	N/A	N/A	N/A	N/A

Distance travelled on international flights, is further analysed as follows:

	Actual performance					
	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
						Baseline
Haul						
Short-haul flights	*46.0*	*13.7*	N/A	N/A	N/A	N/A
Long-haul flights	*429.7*	*13.6*	N/A	N/A	N/A	N/A
Class						
Economy class	*390.5*	*27.3*	N/A	N/A	N/A	N/A
Premium economy class	*19.3*	–	N/A	N/A	N/A	N/A
Business class	*55.6*	–	N/A	N/A	N/A	N/A
First class	*10.3*	–	N/A	N/A	N/A	N/A

Distance data was only collected from 2021-22. The Department’s policy on air travel is to restrict it to instances where overall there is value for money compared to other forms of travel when the full cost of travel and subsistence is assessed.

Data for Ultra Low Emission Vehicles (ULEVs) was only collected in 2021-22, which will be remedied next year.

ICT waste

The Department continues to utilise technology to improve our overall environmental impact. Recent initiatives include replacing desk phones with softphones (software for making telephone calls over the internet) and encouraging the use of softphones over mobiles further supports a reduction in our physical impact and footprint. In addition, improvements to our videoconferencing provision seeks to aid and enable effective hybrid working, reducing the need for travel.

More broadly, sustainable ICT solutions will be integrated into new build schools as standard, via sustainable procurement, design, implementation, and management.

Greening government ICT assessment 2022-23

ICT Waste Categories	Quantity	Weight	Value Returned
		kg	£
Reuse			
Prevention – This means keeping products for longer, and reusing/upgrading products and equipment where possible	–	–	–
Items donated (charity or for reuse eg across government)	–	–	–
Items for commercial sale	4,173	12,138	49,369
Checking, cleaning, repairing, refurbishing, whole items or spare parts, preferably avoiding any other pre-processing.	–	–	–
Recycle			
Items broken not containing hazardous waste	5,774	7,068	–
Items broken and containing hazardous waste	–	–	–
Recovery			
Includes anaerobic digestion, incineration with energy recovery, gasification and pyrolysis which produce energy (fuels, heat and power), and materials from waste	N/A	107,000	–
Other recovery	–	–	–
Disposal			
Reclaimed waste incinerated for energy	–	–	–
Final amount sent to landfill	N/A	13,000	–

Additional information – asset type

	Quantity
Laptop	4,328
Desktop	297
Tablet	11
Smartphone	3,605
Server	82
Network Eq	407
Screens	544
Printers	16
Other	657

Non-financial indicators (tonnes)

	Actual performance					
	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
						Baseline
Reused	–	–	–	–	–	–
Recycled	30	29	3	4	27	13

Accounting for shared, offset, renewable and sequestered carbon

The Department does not purchase or utilise carbon credits at all across the office estate.

Sustainable construction

All of the schools and colleges constructed under our control (termed centrally delivered) follow the Department's detailed specification which includes performance standards on environmental performance and energy. The Department has been successfully delivering good quality, economic and efficient schools for 12 years focussing on simple easy to manage facilities with low running costs. Since 2021 all of the Department's delivered schools are designed to be net zero carbon in operation.

As part of our strategy for sustainability and climate change the Department is committed to net zero carbon in operation for all centrally delivered capital programmes including the school rebuilding and free school programmes. Projects will be designed to be resilient to climate change under a 2°C global warming scenario and future proofed to a 4°C scenario.

Additionally, we are piloting a range of projects to test initiatives such as access to nature, ultra-low carbon construction, and wider use of green infrastructure to improve biodiversity. We have developed the UK's first 'biophilic' primary school, which supports school users to connect with nature through the built environment. The project will act as a real time lesson in improving health and wellbeing working in partnership with Derby University to gather evidence on how this impacts the health and wellbeing and sustainable literacy of children and young people.

Rural proofing

Defra's rural proofing impact assessment is an integral part of the Department's approach to developing regulation. When developing a policy staff are required to consider sustainable development, environmental impacts, and social impacts such as rural proofing. These issues are built into the impact assessments, ensuring that they are fully evaluated as part of any new policy. For example, the National Funding Formula includes a sparsity factor that targets funding to small and remote schools, which we know often play a crucial role in the communities they serve.

Adapting to climate change

The Department's own offices will be adapted to the effects of climate change in line with the activities of other departments and:

- has begun the process of assessing climate risk across its own buildings and operations
- is making use of a new climate risk assessment tool, commissioned by GPA, to screen for priority risks

We have also begun a programme of practical research and development to ensure we are best able to meet the challenges of climate change across the existing education estate including retrofit, resilient schools and energy reduction, this is covered later on in this section.

Biodiversity reporting

As well as the sustainability reporting included here, the Department also reports through the central sustainability reporting undertaken by Defra.

All public authorities are subject to the general duty to consider action they can take to conserve and enhance biodiversity, and then take that action. However, only LAs and local planning authorities are subject to the reporting duty, requiring them to produce biodiversity reports, with the first report due by January 2026. Therefore, the Department have agreed with Defra they will produce an aggregate report, based on data collected from schools participating in the National Education Nature Park.

Sustainable procurement

Within the Department we take account of social value in the award of central government contracts. Procurement Policy Note 06/20 is applied to all new in scope procurements from January 2021, with at least one of five social value themes being assessed in the procurement and subsequent contract with suppliers. Themes are selected which are most relevant to the subject matter of the contract and one of the themes is fighting climate change. In addition, new contracts require that suppliers meet the Government Buying Standards on sustainability. We have implemented Procurement Policy Note 06/21, taking account of carbon reduction plans in the procurement of major government contracts, which came into effect on 30 September 2021 for all in scope procurements. Commercial staff involved in letting and managing contracts undertake Chartered Institute of Procurement & Supply ethics e-learning which covers three key pillars of the ethical procurement and supply profession, one of which is environmental procurement.

During 2022-23, 95% of staff in a commercial delivery role undertook this training against a target of 90%.

More broadly, by 2023 we will ensure sustainability is part of the assessment and validation criteria for including suppliers on procurement frameworks that the Department signposts via its Get Help Buying for Schools service, to support sustainable purchasing of products and services in schools. We will also support schools to purchase from procurement frameworks that offer sustainable goods and services via this service, although schools still retain their full autonomy in their contracting decisions.

Procurement of food and catering services

Using both the Department and GPA supply chain, food provided in catering outlets is local and in season, where possible. The Department buys food from farming systems that minimise harm to the environment, such as produce certified by LEAF (Linking Environment and Farming), the Soil Association or Marine Stewardship Council. Fairly traded and ethically sourced products are also available. The amount of food of animal origin eaten is being reduced, as livestock farming is one of the most significant contributors to climate change, and caterers ensure that meat, dairy products, and eggs purchased are produced to high environmental and animal welfare standards. The amount of palm oil used is also being reduced.

More broadly, we will encourage and support education settings to gather data and take action on food waste and to share their evidence-based best practice for sustainable waste prevention and management. We will also work with Defra and the Waste and Resources Action Programme to share resources for schools and children that support food waste prevention.

Sustainability and Climate Change Strategy – for the education and children's services systems

A strategy for our education estate

As set out in the SRG, as organisations become more proficient in managing their own internal performance on sustainability, they should then consider how they could seek to improve sustainability in areas where they have an influence, for example in policy or procurement. The Department is unique in that it has responsibility for a large publicly funded education estate that has a devolved management structure, that sits outside GGC responsibilities. The Department is seeking to ensure that its policies, support and guidance for the education estate help it to meet the same standards as for GGC, recognising the education sector's unique position as public bodies.

In April 2022, the Department published what is thought to be the world's first cross-cutting climate change and sustainability strategy for an education system. It has a vision for the UK education system to be a world leader in sustainability and climate change by 2030.

The approach has been to consider how we reconnect learners with nature and in doing so address the legislative requirements in the Climate Change Act, the Environment Act and the GGCs.

The strategy's vision is for the United Kingdom to be the world-leading education sector in sustainability and climate change by 2030. This will be achieved through four strategic aims:

- **excellence in education and skills for a changing world**
  preparing all young people for a world impacted by climate change through learning and practical experience

- **net zero**
  reducing direct and indirect emissions from education and care buildings, driving innovation to meet legislative targets and providing opportunities for children and young people to engage practically in the transition to net zero
- **resilience to climate change**
  adapting our education and care buildings and systems to prepare for the effects of climate change
- **a better environment for future generations**
  enhancing biodiversity, improving air quality and increasing access to, and connection with, nature in and around education and care settings

To deliver these aims five specific action areas have been established to support delivery of the strategy. These are:

- **Climate education**
  focus on providing support to ensure excellent teaching in climate change and a greater emphasis on nature. This will ensure all children and young people have robust knowledge. Practical co-curricular opportunities (such as biodiversity monitoring) will enable young people to translate knowledge into positive action.
- **Green skills and careers**
  reflecting the broad range of jobs and skills needed for the future (for the transition to net zero and for nature's recovery). Recognises the need for not only young people to choose careers in this space but also that many adults will need to re-train.
- **The education estate and digital infrastructure**
  sets out an 'innovate, test, invest' approach to tackling the huge challenge of making the education estate meet net zero and become resilient to climate change. Will deliver standardised reporting frameworks to monitor progress to net zero.
- **Supply chains and operations**
  ensures education settings consider the environment in all they do, from their choice of suppliers and products (such as energy and food) and in reducing the use of single use plastics and the impact of the school commute.
- **International**
  recognises that in achieving our vision we must be internationally focused – we will both learn from others and share our experience in delivering the strategy. We will look to influence and inspire action.

There are three key initiatives in delivery to support the strategy:

1. Inspire Change – National Education Nature Park and Climate Action Award
2. Plan the Change – Sustainability Leadership & Climate Action Plans
3. Demonstrate Progress – Building CO_2 emission and climate risk reporting systems

The sections below set out how this activity is helping the education sector to keep pace with the principles and standards underpinning sustainability reporting for use in central government.

Mitigating climate change: working towards net zero by 2050

The strategy includes commitments to drive change through a green, sustainable education estate that is resilient to the impacts of climate change that will normalise and inspire young people to live sustainable lives, with impact felt widely in their families and communities.

In 2022-23, we supported the HE and FE sectors to publish new guidance for net zero reporting – the Standardised Carbon Emissions Framework[81] and the strategy includes targets to have schools and colleges reporting their carbon emissions by 2025. In 2023-24 we will put in place sustainability leadership and climate action plan support for education settings, which will take the form of regional networks for sharing best practice/expertise and a digital hub.

The Department publishes Schools and FE Colleges Design Brief and Specification, a design guide for school and college buildings, supporting delivery of climate change mitigation including net zero carbon in operation and adaptive measures to a 2°C global warming scenario and future proofed to a 4°C scenario, and Good Estates Management for Schools guidance for schools and responsible bodies to help manage their school buildings and land which will help to save money and ensure a healthy, safe and sustainable school environment.

We are running a Resilient School Sites project which aims to develop high impact low cost retrofit solutions, initially piloted on primary schools in Bradford. We are running research into a low carbon off-site modular decarbonising plant room, “Energy Pod”, for use in existing school sites across England.

In December 2022, we issued energy efficiency guidance to schools and FE colleges to support them in managing their energy and reducing costs. To support the cost of energy efficiency measures the Department had an additional £447 million in capital funding in 2022-23 for institutions that were eligible.

BEIS’ Public Sector Decarbonisation Scheme (PSDS) is a £1.4 billion grant funding scheme for public sector decarbonisation and schools can bid to install low carbon heating and energy efficiency measures. The Department has worked with the scheme’s administrator to agree a dedicated sector cap for the education sector of 30% to match the scale of education building emissions. The Department’s Condition Improvement Fund (CIF) has also been updated to allow that applicants that plan to submit a PSDS application for low carbon heating should apply to CIF for the like for like replacement of their fossil fuel heating system. If approved via CIF, this funding can be used as the academy trust’s contribution towards the PSDS project, and the CIF project will effectively be upgraded to the heat pump project to be delivered as part of the PSDS project.

Minimising waste and promoting resource efficiency

The strategy includes commitments to drive change by introducing children and young people to more sustainable practices such as the circular economy, waste prevention and resource efficiency.

More broadly by 2025, we have committed to eradicating single-use plastics and encourage the use of reusable and recyclable materials in schools. We also encourage all other education

81 https://www.eauc.org.uk/scef

settings to match this target, as well as to encourage all settings to drive initiatives that promote the circular economy. We provide guidance to reduce reliance on disposable items in favour of more sustainable alternatives, such as reusable nappies, recycled materials, second-hand uniforms and other consumables such as sustainable cutlery and cleaning products.

Finite resource consumption and minimising our water use

As part of the Department's actions to deliver the third National Adaptation Pathway we are preparing to produce a preliminary water scarcity risk assessment of the education estate, which will enable the Department to understand current and future risk. This will ensure building specifications are sufficient to cope with current and future water scarcity and drought planning. Indicators include levels of risk for individual establishments and number of establishments at risk. Risk assessments will be published annually from 2023.

Other reporting requirements

Procuring sustainable products and service

The strategy includes commitments to encourage and support education settings to procure from companies that commit to achieving net zero by 2050 and have a plan in place, showing how they will meet this target.

Schools are autonomous in their procurement activity, so the Department encourages them to use framework agreements via the Department's Find a Framework service. The suppliers on this framework are compliant routes to market for schools and any new frameworks assessed will be compliant to the procurement policy note on net zero (Procurement Policy Notice 06/20 and 21), where applicable to that framework. We also help schools to run their own procurement activity and make sure they are compliant to any statutory regulations around net zero reporting and encourage them to make considerations around net zero when they request support through the Get Help Buying for Schools Service.

Natural recovery and biodiversity action planning

Schools are out of scope for GGC. However, as the education estate covers an area approximately twice the size of Birmingham as part of the Department's strategy, during early 2023 we have been piloting an initiative, the National Education Nature Park. The aim is to engage children and young people with the natural world, directly involving them in measuring and improving biodiversity in their nursery, school, college or university, helping reinforce their connection with nature. Young participants will be able to see how the park is 'growing' while increasing their knowledge of species and developing important skills, such as biodiversity mapping, data collection and analysis. The Natural History Museum and Esri UK are leading the partnership and are rapidly developing the National Education Nature Park and Climate Action Award scheme with national roll out to all settings beginning in autumn 2023.

Adapting to climate change

Adaptation activities for the education estate fall broadly into three categories: climate risk assessment, improvements to the built environment and engagement with education settings. The Climate Change Committee's independent assessment identifies three priority risks for education: flooding, overheating and water scarcity. Their recommendations include undertaking an assessment of climate risk and developing a metric for lost learning due to climate change.

The Department will:

- Focus on improving schools in the worst condition, there is a direct correlation between poor building condition and poor sustainable outcomes. In 2021 we uplifted funding for capital programmes to deliver net zero carbon in operation outcomes.
- Produce an annual climate risk assessment from 2023 to enable planning for climate risk across the education estate and support individual settings to manage their own risk, preventing disruption to education and cost of repairs.
- Continue to ensure that newly built and rebuilt education settings (not already under contract) are designed to withstand 2°C and 4°C global warming scenarios, by adopting a strategic approach to site selection, design, and delivery.
- Adapt the existing education estate by taking an evidence-based approach based on pilots and evaluations, updating design specifications (reviewed every 6 months, major update due 2025), and developing guidance for understanding climate risk and specifying effective adaptations.
- Complete multiple pilots to collect a robust evidence base on effective adaptation measures, including sustainable drainage systems in 14 schools at risk of flooding, water efficiency pilots in multiple schools in partnership with water companies, building surveys of 20 schools to identify problems associated with ventilation and overheating, and post occupancy evaluations of new schools to test design options against overheating.
- Engage with education settings and stakeholders by 2025 to enable individual settings to nominate sustainability leads, who will own and implement climate action plans. This will facilitate local action and behaviour change and build capacity to protect learners and staff from the effects of climate change.
- Have robust business continuity plans in place to manage extreme weather events such as flooding and heatwaves.

Annex C – Student loans

This annex contains breakdowns of the overall student loan disclosures from note 12 analysed across the different loan portfolios.

Loans for students in higher education and further education are originated and recognised by the Department. The Department's student loans can be split into different repayment plans depending upon which education sector the borrowers were members of. The plans are as follows:

- Plan 1 loans – loans taken out for undergraduate courses that started before 1 September 2012
- Plan 2 loans – loans taken out for undergraduate courses that started on or after 1 September 2012, including advanced learner loans
- Plan 3 loans – loans for postgraduate master's courses starting on or after 1 August 2016 and postgraduate doctoral courses starting on or after 1 August 2018

We have revised the disclosures for student loans to split out Plan 3 loans from Plan 2 loans, which in previous years were presented in aggregate as Post–2012 loans.

Student loan management charge

The charge is levied by HMT in any given year when fair value losses recognised at origination of student loans are higher than a limit set by HMT. Loan origination losses arise when the fair value of new student loans is significantly lower than the cash value of monies advanced. Under the Department's agreement with HMT, excess fair value losses are recognised in Resource AME rather than ringfenced Resource DEL for losses under the threshold. Following the initial RDEL-RAME switch, the value is unwound through non-ringfenced Resource DEL over the following thirty years, with the first annual instalment in the year the switch occurs. The unwinding of the excess losses does not have any overall effect on the Department's reported TME in any given year since the balances sum to zero, although there are effects on the separate RAME and RDEL outturn balances.

Impact of student loans on Estimates to outturn variances

Calculating student loan valuations, for either year end accounting purposes (note 12) or to support the Estimates claim, is inherently difficult and different to commercial loan portfolios. Unlike commercial mortgage books (which are similar in duration) the student loan portfolios do not have stable monthly contractual repayments allowing for easily modelled repayment profiles. Instead, student loan repayments are sensitive to economic conditions such as employment levels, RPI and salary growth all of which drive expected repayments. None of the year end valuation model inputs are known to the Department to support either Estimates process (Mains or Supplementary).

In addition, the very large size of the student loan portfolio (£203 billion face value, note 12.1) presents challenges. The student loan valuation models apply valuation inputs to student loan face value balances to calculate the carrying values. This means that minor movements of a valuation input can generate extremely large movements in the final student loan carrying value due to the size of the loan portfolios. Therefore, small differences between model inputs forecast at Supplementary Estimates and actual values at the year end can generate very large variances.

Consequently, the Department is prudent when it prepares its Supplementary Estimates claim for budget cover for student loan balances across all budget categories.

Carrying values of student loans

				2023
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
	£m	£m	£m	£m
Balance at 1 April	15,050	78,822	4,070	97,942
New loans issued	–	19,255	783	20,038
Repayments	(1,865)	(1,791)	(309)	(3,965)
Write-offs	(19)	(74)	(1)	(94)
Fair value movement	1,496	21,946	441	23,883
Balance at 31 March	**14,662**	**118,158**	**4,984**	**137,804**
Disclosed as:				
Current assets	1,626	2,039	351	4,016
Non-current assets	13,036	116,119	4,633	133,788
	14,662	**118,158**	**4,984**	**137,804**

				2022
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
	£m	£m	£m	£m
Balance at 1 April	18,446	55,783	3,167	77,396
New loans issued	-	19,116	904	20,020
Repayments	(1,704)	(1,131)	(181)	(3,016)
Write-offs	(23)	(63)	(1)	(87)
Fair value movement	(1,669)	5,117	181	3,629
Balance at 31 March	**15,050**	**78,822**	**4,070**	**97,942**
Disclosed as:				
Current assets	1,851	1,509	264	3,624
Non-current assets	13,199	77,313	3,806	94,318
	15,050	**78,822**	**4,070**	**97,942**

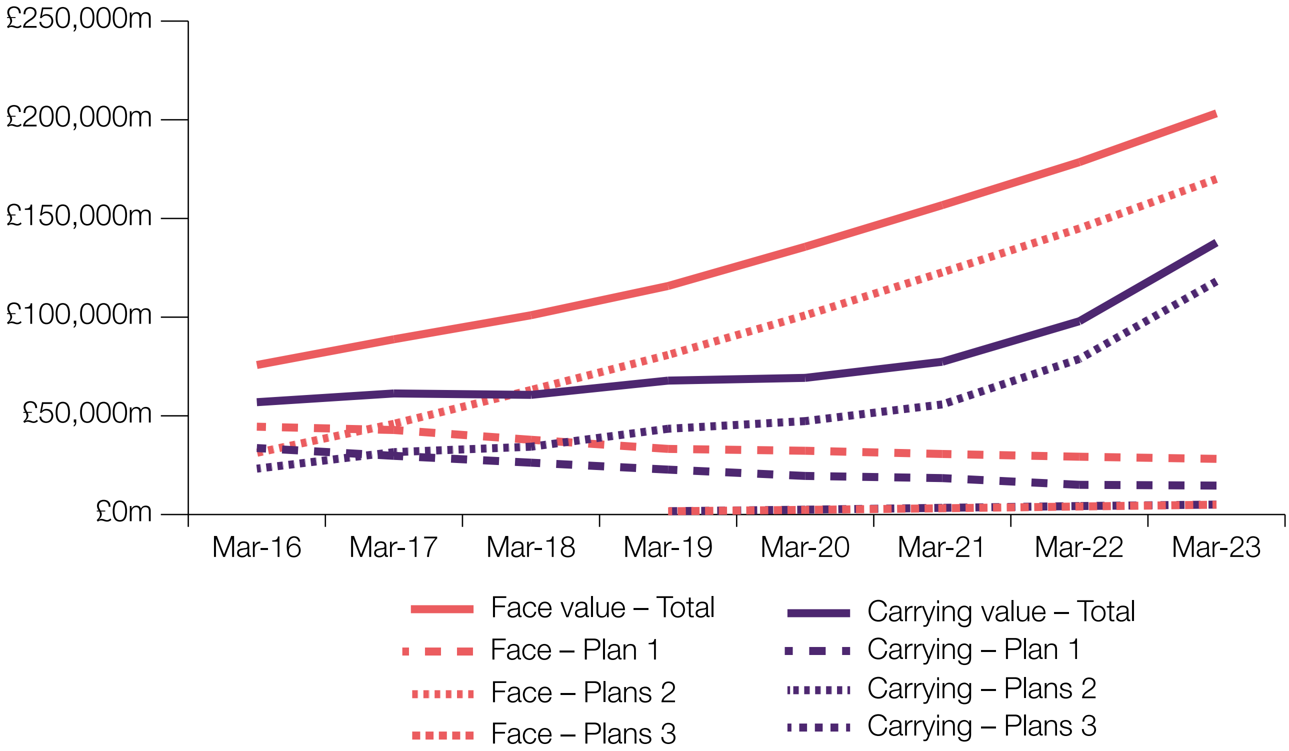
Face values of student loans

				2023
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
	£m	£m	£m	£m
Balance at 1 April	29,284	144,951	4,297	178,532
New loans issued	–	19,255	783	20,038
Interest charged	803	7,676	273	8,752
Repayments	(1,865)	(1,791)	(309)	(3,965)
Write–offs	(19)	(74)	(1)	(94)
Balance at 31 March	**28,203**	**170,017**	**5,043**	**203,263**

				2022
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
	£m	£m	£m	£m
Balance at 1 April	30,675	122,686	3,389	156,750
New loans issued	–	19,116	904	20,020
Interest charged	336	4,343	186	4,865
Repayments	(1,704)	(1,131)	(181)	(3,016)
Write–offs	(23)	(63)	(1)	(87)
Balance at 31 March	**29,284**	**144,951**	**4,297**	**178,532**

The chart below compares the face value of student loans (which equates to what borrowers see) against their carrying value in the ARA, split into the three separate loan books, over the last five years. Note 12.1 provides a reconciliation between face and carrying values. The table illustrates the closed nature of the Plan 1 loan book, which is now in run-off, and the active status of the Plan 2 and 3 loan books which are still advancing loans.

Comparison of student loans carrying values to face values



Fair value movement analysis

The annual fair value movement is calculated through modelling as described elsewhere as a single value per Plan from known model inputs. In the tables below, we have isolated the value movements attributable for the named factors from the overall calculated value movement. However, the annual value movement is not built-up through summing the lower-level movements shown above. The dis-aggregation results in a residual portion of the overall value movement that cannot be attributed to the drivers analysed above which is presented on the foot of the table. There is an informal relationship between the unwinding discount and the residual value, so that if unwinding discount increases the residual value movement will need to decrease to bring the overall value movement back to that calculated.

The significant increase in the unwinding discount recognised in the year is a result of the increase in RPI in the year. As RPI this year has increased to 13.5% in March 2023, this has led to significantly more interest than in the year to March 2022 when RPI was 9.0%.

The impact of changes in assumptions and modelling is primarily a result of HE Reform policy changes, macroeconomic changes, and the change in HMT discount rate which are explained further in note 12.4.

Description	Plan 1 loans	Plan 2 loans	Plan 3 loans	2023 Total
	£m	£m	£m	£m
Overall annual fair value movement – calculated	**1,496**	**21,946**	**441**	**23,883**
Which can be dis–aggregated into the following drivers:				
Deferral of the difference in fair value and amount advanced to students on new loans	–	(5,481)	(16)	(5,497)
The difference between the amount advanced to students (transaction value) and estimated fair value at initial recognition is deferred and recognised as an in–year remeasurement fair value. These fair value gains and losses are recognised within net operating expenditure. For further detail on the IFRS 9 assessment of the deferral see note 1.3.3.				
Impact of changes in assumptions and modelling	38	22,429	(50)	22,417
Annual updates to the student loan valuation models are made to improve methodology and forecast outputs of the models. These are broken down in note 12.4.				
Operational costs	(62)	(502)	(16)	(580)
In accordance with IFRS 9 operational costs of servicing the loan books have been included in the fair value calculation.				
Unwinding of the discount	1,697	11,902	623	14,222
Gain arising from removing one year's worth of discounting from the valuation.				
Residual fair value movement	(177)	(6,402)	(100)	(6,679)
Portion of the overall fair value movement remaining after the identified drivers above have been dis–aggregated. The balance shows some inverse sensitivity to the unwinding of the discount balance above to absorb movements to bring the overall fair value movement back to the calculated balance.				

Description	Plan 1 loans	Plan 2 loans	Plan 3 loans	2022 Total
	£m	£m	£m	£m
Overall annual fair value movement – calculated	**(1,669)**	**5,117**	**181**	**3,629**
Which can be dis–aggregated into the following drivers:				
Deferral of the difference in fair value and amount advanced to students on new loans	–	(8,577)	(13)	(8,590)
The difference between the amount advanced to students (transaction value) and estimated fair value at initial recognition is deferred and recognised as an in–year remeasurement fair value. These fair value gains and losses are recognised within net operating expenditure. For further detail on the IFRS 9 assessment of the deferral see note 1.3.3.				
Impact of changes in assumptions and modelling	(1,858)	12,478	842	11,462
Annual updates to the student loan valuation models are made to improve methodology and forecast outputs of the models. These are broken down in note 12.4.				
Operational costs	107	328	7	442
In accordance with IFRS 9 operational costs of servicing the loan books have been included in the fair value calculation.				
Unwinding of the discount	1,165	5,115	339	6,619
Gain arising from removing one year's worth of discounting from the valuation.				
Residual fair value movement	(1,083)	(4,227)	(994)	(6,304)
Portion of the overall fair value movement remaining after the identified drivers above have been dis-aggregated. The balance shows some inverse sensitivity to the unwinding of the discount balance above to absorb movements to bring the overall fair value movement back to the calculated balance.				

Impact of changes in assumptions and modelling on loan fair value

During the year, the following changes in assumptions and modelling have had significant impacts on the fair value of student loans.

				2023
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
	£m	£m	£m	£m
Remeasurements to existing loans arising from changes to:				
modelling improvements:				
long–term earnings model	–	–	–	–
long–term repayments model	–	–	–	–
others	(248)	(950)	–	(1,198)
HMT discount rate	145	1,539	68	1,752
macroeconomic factors	312	1,998	(118)	2,192
policy changes	–	21,800	–	21,800
new data/unwinding	178	(612)	–	(434)
student number forecasts	(349)	(1,346)	–	(1,695)
Total loan remeasurement	**38**	**22,429**	**(50)**	**22,417**

				2022
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
	£m	£m	£m	£m
Remeasurements to existing loans arising from changes to:				
modelling improvements:				
long–term earnings model	(2,732)	(10,019)	–	(12,751)
long–term repayments model	22	(194)	–	(172)
others	(640)	1,032	–	392
HMT discount rate	1,839	17,128	826	19,793
macroeconomic factors	(838)	5,071	281	4,514
policy changes	–	1,841	(307)	1,534
new data/unwinding	491	(878)	(32)	(419)
student number forecasts	–	(1,503)	74	(1,429)
Total loan remeasurement	**(1,858)**	**12,478**	**842**	**11,462**

Sensitivity analysis

Multiple factors

				2023
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
	£m	£m	£m	£m
Year end carrying value	14,662	118,158	4,984	137,804
Scenario 1	601	4,553	(108)	5,046
Scenario 2	(1,039)	(11,333)	(114)	(12,486)
Scenario 3	1,023	11,933	108	13,064
Scenario 4	(655)	(4,733)	114	(5,274)

The table above illustrates the effect of varying more than one model input. The four situations are as follows:

- Scenario 1 – discount rate increased by 0.2%, earnings up by 10%
- Scenario 2 – discount rate increased by 0.2%, earnings down by 10%
- Scenario 3 – discount rate decreased by 0.2%, earnings up by 10%
- Scenario 4 – discount rate decreased by 0.2%, earnings down by 10%

Single factors

RPI

				2023
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
Value applied in year end valuation	13.5%	13.5%	13.5%	
	£m	£m	£m	£m
Year end carrying value	14,662	118,158	4,984	137,804
Increase RPI by 1%	(1,478)	(21,472)	(158)	(23,108)
Decrease RPI by 1%	1,473	23,011	153	24,637
Increase RPI by 2%	(2,782)	(40,268)	(321)	(43,371)
Decrease RPI by 2%	3,059	46,522	299	49,880

	Plan 1 loans	Plan 2 loans	Plan 3 loans	2022 Total
Value applied in year end valuation	9.0%	9.0%	9.0%	
	£m	£m	£m	£m
Year end carrying value	15,050	78,822	4,070	97,942
Increase RPI by 1%	(1,700)	(7,380)	(150)	(9,230)
Decrease RPI by 1%	1,660	7,820	150	9,630
Increase RPI by 2%	(3,130)	(14,410)	(290)	(17,830)
Decrease RPI by 2%	3,310	16,240	300	19,850

Loan repayment threshold

	Plan 1 loans	Plan 2 loans	Plan 3 loans	2023 Total
Value applied in year end valuation	£20,195	£27,295	£21,000	
	£m	£m	£m	£m
Year end carrying value	14,662	118,158	4,984	137,804
Increase threshold by £1,000	(517)	(3,029)	(3)	(3,549)
Decrease threshold by £1,000	507	3,202	33	3,742

	Plan 1 loans	Plan 2 loans	Plan 3 loans	2022 Total
Value applied in year end valuation	£19,895	£27,295	£21,000	
	£m	£m	£m	£m
Year end carrying value	15,050	78,822	4,070	97,942
Increase threshold by £1,000	(520)	(2,840)	(40)	(3,400)
Decrease threshold by £1,000	480	2,970	30	3,480

Annex D – Core Tables

The Core Tables represent expenditure for resource and capital, set for each year in the Spending Review process (amended to incorporate transfers of functions to other government departments as they have arisen). These tables are not reported on the same basis as the financial statements disclosures, with differing categories and headings based on the Department's Estimates allocation of activities and budgeting not financial reporting terms. The Core Tables are produced automatically from the HMT system (Online System for Central Accounting and Reporting (OSCAR)) which is used by all central government departments to record their spending and plans. At 31 March 2023, OSCAR reflects the position agreed at the 2022 Budget. This does not match the outturn in previous years' financial statements, and some spending may also appear on different lines, this may frequently result in restatement of the previous years' Core Table figures.

Table 1: Total Departmental Group spending

Summary

	2018-19 Outturn	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023–24 Plans	2024–25 Plans
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Budget							
Resource DEL	67,900	79,409	75,220	72,946	67,155	85,993	90,044
Resource AME	(1,029)	(1,739)	1,768	(5,180)	(14,314)	(4,432)	(9,594)
Total resource	**66,871**	**77,670**	**76,988**	**67,766**	**52,841**	**81,561**	**80,450**
Capital DEL	5,402	4,865	4,830	4,798	5,948	7,038	6,094
Capital AME	15,631	19,947	21,144	21,863	24,828	34,429	28,738
Total capital	**21,033**	**24,812**	**25,974**	**26,661**	**30,776**	**41,467**	**34,832**
	87,904	**102,482**	**102,962**	**94,427**	**83,617**	**123,028**	**115,282**
Less depreciation	(6,453)	1,608	(65)	(75)	(92)	(121)	(127)
Total Departmental spending	**81,451**	**104,090**	**102,897**	**94,352**	**82,525**	**122,907**	**115,155**
Of which:							
total DEL	66,850	84,178	79,985	77,669	73,011	92,910	96,011
total AME	14,601	19,912	22,912	16,683	10,514	29,997	19,144

Total Departmental Group spending is the sum of resource spending and capital expenditure less depreciation. Similarly, total DEL is the sum of the resource DEL budget and capital DEL budget less depreciation, and total AME is the sum of resource AME spending and capital AME expenditure less depreciation in AME.

Resource spending

	2018-19 Outturn £m	2019-20 Outturn £m	2020-21 Outturn £m	2021-22 Outturn £m	2022-23 Outturn £m	2023–24 Plans £m	2024–25 Plans £m
Resource DEL							
Activities to Support all Functions	348	364	442	530	579	598	627
Early Years and Schools (Department)	–	1,364	1,996	1,382	1,690	930	975
School Infrastructure and Funding of Education (Department)	214	–	–	–	–	–	–
Education Standards, Curriculum and Qualifications (Department)	4,438	–	–	–	–	–	–
Early Years and Schools (ALB) (net)	–	1	2	2	3	8	8
School Infrastructure and Funding of Education (ALB) (net)	(17)	–	–	–	–	–	–
Children Services, Communications and Strategy (Department)	321	347	382	363	392	981	1,028
Children Services, Communications and Strategy (ALB) (net)	4	9	10	12	16	16	17
Standards and Testing Agency	61	57	22	25	45	49	51
Teaching Regulation Agency	6	6	7	8	10	14	15
Grants to Local Authority Schools via ESFA	3,404	2,068	2,022	2,603	2,578	2,683	2,729
Education and Skills Funding Agency	29,642	29,560	31,049	31,591	33,359	36,537	38,293
Grants to Academies via ESFA	20,705	22,904	25,252	27,177	29,581	31,009	32,500
Higher Education	7,132	16,327	7,242	2,325	(8,666)	5,028	5,270
Further Education	107	4,801	5,174	5,293	5,886	6,403	6,711
Higher Education (ALB) (net)	1,522	1,582	1,599	1,612	1,654	1,706	1,788
Further Education (ALB) (net)	13	19	21	23	28	31	32
Total resource DEL	**67,900**	**79,409**	**75,220**	**72,946**	**67,155**	**85,993**	**90,044**
Of which:							
staff costs	490	563	606	659	727	605	634
purchase of goods and services	641	697	614	868	1,003	1,589	1,664
income from sale of goods and services	(138)	(210)	(139)	(82)	(82)	(104)	(109)
current grants to central government (net)	–	–	25,854	27,540	29,928	36,653	38,472
current grants to local government (net)	30,098	30,411	32,127	32,595	34,767	36,742	38,380
current grants to persons and non–profit bodies (net)	9,582	32,022	9,272	9,724	10,180	6,221	6,514
current grants abroad (net)	(197)	(134)	(108)	(104)	(100)	1	1
subsidies to private sector companies	–	13	–	–	–	–	–

	2018-19 Outturn £m	2019-20 Outturn £m	2020-21 Outturn £m	2021-22 Outturn £m	2022-23 Outturn £m	2023–24 Plans £m	2024–25 Plans £m
subsidies to public corporations	2	–	–	–	–	–	–
rentals	21	15	16	25	5	9	9
depreciation	6,452	96	64	75	91	121	127
impairment	–	–	(8)	–	–	–	–
student loan impairment	–	–	6,614	1,647	(9,391)	4,213	4,412
interest payable to private sector	–	–	53	48	42	48	50
take up of provisions	84	97	124	–	7	–	–
profit/loss on disposal of assets	–	–	5	–	58	–	–
other resource	20,865	15,839	126	(49)	(80)	(105)	(110)
Resource AME							
Activities to Support all Functions (Department)	(8)	11	46	15	35	(7)	14
Activities to Support all Functions (ALB)	–	5	–	–	–	–	–
Executive Agencies	6	(13)	1	(15)	14	–	–
Higher Education	(1,031)	(1,725)	1,778	(5,170)	(14,276)	(4,403)	(9,615)
Further Education	(12)	(6)	(4)	(42)	(78)	–	(17)
Higher Education (ALB) (net)	2	(54)	(2)	1	1	(27)	1
Further Education (ALB) (net)	14	43	(51)	31	(10)	5	23
Total resource AME	**(1,029)**	**(1,739)**	**1,768**	**(5,180)**	**(14,314)**	**(4,432)**	**(9,594)**
Of which:							
staff costs	58	43	48	39	44	7	7
purchase of goods and services	87	112	9	24	30	4	4
income from sales of goods and services	(244)	(268)	–	–	–	–	–
current grants to central government (net)	–	–	(4)	–	–	24	24
current grants to persons and non–profit bodies (net)	144	148	97	101	111	–	–
subsidies to private sector companies	–	4	–	–	–	–	–
rentals	2	2	1	1	1	–	–
depreciation	1	(1,704)	1	1	1	–	–

	2018-19 Outturn	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023–24 Plans	2024–25 Plans
	£m	£m	£m	£m	£m	£m	£m
impairment	–	–	49	(1,727)	(5,402)	12,881	12,881
student loan impairment	–	–	1,771	1,427	(177)	(168)	(168)
levies, licences and regulatory fee income	–	–	(220)	(137)	(196)	(28)	(28)
fees and charges	–	–	(1)	(1)	(1)	(2)	(2)
take up of provisions	35	50	17	(47)	6	–	–
release of provisions	(64)	(95)	–	–	–	–	–
unwinding of discount on provisions	–	–	(2)	(3)	(12)	–	–
change in pension scheme liabilities	–	(42)	–	–	–	–	–
unwinding of the discount rate on pension scheme liabilities	8	10	–	–	–	–	–
interest payable to private sector (net)	–	–	(3)	(4,862)	(8,752)	(17,150)	(22,312)
profit/loss on disposal of assets (net)	–	–	2	–	–	–	–
other resource	(1,056)	1	3	4	33	–	–
Total resource budget	**66,871**	**77,670**	**76,988**	**67,766**	**52,841**	**81,561**	**80,450**
Of which:							
depreciation	6,453	(1,608)	65	75	92	121	127

Capital spending

	2018-19	2019-20	2020-21	2021-22	2022-23	2023–24	2024–25
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans
	£m	£m	£m	£m	£m	£m	£m
Capital DEL							
Activities to Support all Functions	86	72	33	58	119	261	226
Early Years and Schools (Department)	–	1,835	2,122	1,430	1,194	1,616	1,399
School Infrastructure and Funding of Education (Department)	1,494	–	–	–	–	–	–
Education Standards, Curriculum and Qualifications (Department)	6	–	–	–	–	–	–
Early Years and Schools (ALB) (net)	(4)	(32)	(30)	(29)	(33)	(9)	(8)
Children Services, Communications and Strategy (Department)	7	17	3	3	15	102	88
Children Services, Communications and Strategy (ALB) (net)	2	3	2	2	3	2	2
Standards and Testing Agency	2	3	2	1	4	5	4
Education and Skills Funding Agency	190	37	6	125	161	23	20
Grants to Local Authority Schools via ESFA	2,301	1,846	1,126	1,888	2,695	2,344	2,030
Grants to Academies via ESFA	1,023	819	1,041	1,032	1,334	1,175	1,018
Higher Education	120	16	13	41	30	16	14
Further Education	8	101	312	95	299	1,206	1,044
Higher Education (ALB) (net)	167	147	199	151	125	295	255
Further Education (ALB) (net)	–	1	1	1	2	2	2
Total capital DEL	**5,402**	**4,865**	**4,830**	**4,798**	**5,948**	**7,038**	**6,094**
Of which:							
staff costs	–	–	3	4	4	–	–
purchase of goods and services	12	12	2	7	11	26	23
capital support for central government (net)	–	–	3,062	2,405	2,397	3,747	3,244
capital support for local government (net)	3,421	2,055	1,292	1,998	2,648	1,934	1,675
capital grants to persons & non–profit bodies (net)	1,577	2,714	606	404	707	444	384
capital grants to private sector companies (net)	105	214	114	18	11	588	509
purchase of assets	472	(54)	(222)	35	232	217	188
net lending to the private sector and abroad	27	(23)	(42)	(50)	(46)	98	85
other capital	(212)	(53)	15	(23)	(16)	(16)	(14)

	2018-19 Outturn	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023–24 Plans	2024–25 Plans
	£m	£m	£m	£m	£m	£m	£m
Capital AME							
Activities to Support all Functions	–	–	–	–	2	–	–
Higher Education AME	15,417	19,717	20,942	21,708	24,680	34,297	28,547
Further Education AME	212	212	203	159	145	129	188
Further Education (ALB) (net)	2	18	(1)	(4)	1	3	3
Total capital AME	**15,631**	**19,947**	**21,144**	**21,863**	**24,828**	**34,429**	**28,738**
Of which:							
purchase of assets	–	–	(1)	(1)	2	3	3
net lending to the private sector and abroad	15,629	19,950	21,146	21,867	24,824	34,426	28,735
other capital	2	(3)	(1)	(3)	2	–	–
Total capital budget	**21,033**	**24,812**	**25,974**	**26,661**	**30,776**	**41,467**	**34,832**

Depreciation in the table above also includes amortisation, non-financial instrument impairment and revaluation. Pension schemes report under IAS 19, the pension figures include cash payments and contributions received, as well as certain non-cash items.

Total departmental staff costs within the table above differs from those published elsewhere in this ARA, because staff costs above include early departure costs and lump sum payments that have been presented elsewhere in the Accountability Report.

Total departmental revenue and capital costs within the table above differ from those published elsewhere in this ARA due to differences in compilation methodology between these Core Tables and this ARA.

Total departmental provisions within the table differ from those published elsewhere in this ARA, because the balances in the table above include costs arising from an NDPB pension scheme, which have been presented differently elsewhere in this ARA.

Table 2: Administration costs

	2018-19	2019-20	2020-21	2021-22	2022-23	2023–24	2024–25
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans
	£m	£m	£m	£m	£m	£m	£m
Resource DEL							
Activities to Support all Functions	329	336	370	396	429	435	437
Early Years and Schools (ALB) (net)	–	2	1	2	3	6	6
School Infrastructure and Funding of Education (ALB) (net)	(1)	–	–	–	–	–	–
Children Services, Communications and Strategy (ALB) (net)	2	2	2	2	2	4	4
Standards and Testing Agency	3	3	2	2	3	3	3
Education and Skills Funding Agency	77	81	75	72	47	51	51
Higher Education (ALB) (net)	74	56	48	56	51	50	50
Further Education (ALB) (net)	7	10	11	10	11	12	12
Total administration budget	**491**	**490**	**509**	**540**	**546**	**561**	**563**
Of which:							
staff costs	337	368	386	413	426	422	424
purchase of goods and services	141	140	120	116	115	121	121
income from sales of goods and services	(51)	(61)	(59)	(48)	(42)	(57)	(57)
rentals	19	13	14	23	11	9	9
depreciation	25	34	35	33	48	66	66
other resource	20	(4)	13	3	(12)	–	–

Annex E – Analysed performance reporting

Body	Total operating income	Total operating expenditure	Other expenditure	Net expenditure for the year (including financing)	Permanently employed staff: Number of employees	Permanently employed staff: Staff costs	Other staff: Number of employees	Other staff: Staff costs
	£m	£m	£m	£m	Number	£m	Number	£m
Department	(383)	13,532	(23,733)	(10,584)	6,739	432	104	31
Executive agencies								
Education and Skills Funding Agency	–	67,316	–	67,316	1,129	49	1	–
Standards and Testing Agency	–	44	–	44	130	8	–	–
Teaching Regulation Agency	–	11	–	11	80	4	1	–
Non-departmental public bodies								
Aggregator Vehicle PLC	–	–	(1)	(1)	–	–	–	–
Children's Commissioner' Office*	–	3	–	3	32	2	1	–
Construction Industry Training Board*	(214)	203	–	(11)	660	35	6	2
Engineering Construction Industry Training Board	(28)	30	–	2	76	6	4	–
Institute for Apprenticeships and Technical Education*	–	28	–	28	291	20	7	1
Located Property Limited*	–	8	–	8	53	5	2	–
Oak National Academy*	–	2	–	2	40	1	–	–
Office for Students*	(28)	1,487	–	1,459	386	25	–	1
Student Loans Company Limited*	(2)	291	–	289	3,162	128	–	1
Social Work England*	(10)	24	–	14	221	11	35	–
Group	**(665)**	**82,979**	**(23,734)**	**58,580**	**12,999**	**726**	**161**	**36**

The balances above show current year Group balances dis-aggregated across Group bodies based on their published annual reports and accounts. Where intra-Group activities occur, these balances have been removed against the individual bodies involved. Consequently, the balances disclosed here may differ from those presented in each body's own ARA.

Group bodies marked with an asterisk in the table above have not yet finalised their ARAs at the date this Group ARA was published. In such instances draft numbers are included above for those bodies. Management does not consider the use and disclosure of unaudited balances in these limited circumstances to have a material impact on reported Group performance and/or balances.

Annex F – Glossary of key terms

Abbreviation or term	Description
Academies	All schools operated by academy trusts encompassing academies, free schools, university technical colleges and studio schools
AEB	Adult Education Budget
Agency	Executive agency
ALB	Arm's length body, another term for a non-departmental public body
AME/CAME/RAME	Annually Managed Expenditure (capital/resource)
AP	Alternative provision
ARA	Annual report and accounts
ARC	Audit and Risk Committee
ASCL	Association of School and College Leaders
ATs	Academy trusts: the charitable companies that operate all types of academy schools
AuC	Assets under construction
BAME	Black, Asian and minority ethnic
BAR	Business appointment rules
BCM	Business-critical model
BEIS	Department for Business, Energy & Industrial Strategy
C&AG	Comptroller and Auditor General
CCO	Children's Commissioner's Office, an NDPB of the Department
CCS	Crown Commercial Service
CEO	Chief executive officer
CETV	Cash equivalent transfer value
CFER	Consolidated Fund Extra Receipts
CIF	Condition Improvement Fund
CITB	Construction Industry Training Board, an NDPB of the Department
COBRA	Civil Contingencies Committee (COBRA is the acronym for Cabinet Office Briefing Room A)
COVID-19	Coronavirus disease 2019
CPI	Consumer Prices Index
CRRG	COVID Response and Recovery Group
CSC	Children's social care
CSCSG	Children's Services, Communications and Strategy Group
CSOPS	Civil Servant and Other Pension Scheme
DDaT	Digital, Data and Technology
DEL/CDEL/RDEL	Departmental Expenditure Limit (capital/resource)
Department, DfE	The core Department for Education, excluding executive agencies, non-departmental public bodies and academy trusts
Department and Agencies	The core Department plus its executive agencies but excluding non-departmental public bodies
Departmental Group, the Group	The Departmental Group (the Group) encompassing the core Department, executive agencies and non-departmental public bodies
DLUHC	Department for Levelling Up, Housing and Communities
DSG	Dedicated Schools Grant
EBacc	English Baccalaureate
ECF	Early Career Framework
ECITB	Engineering Construction Industry Training Board, an NDPB of the Department

Abbreviation or term	Description
EHCP	Education Health and Care Plans
EIA	Education Investment Areas
ESFA	Education and Skills Funding Agency, an executive agency of the Department
ESOL	English for Speakers of Other Languages
Estimates	Group funding, as approved by HM Treasury and subject to specific limits by category of spending
EYSF	Early Years Foundation Stage
EYSG	Early Years and Schools Group
FE	Further Education
FReM	Financial Reporting Manual, issued by HM Treasury
FSM	Free School Meals
FTE	Full Time Equivalent
FVTPL	Fair Value Through Profit or Loss
GCSE	General Certificate of Secondary Education
GDPR	General Data Protection Regulation
GGC	Greening Government Commitments
GHG	Greenhouse Gas
GIAA	Government Internal Audit Agency
GPA	Government Property Agency
GRAA	Government Resources and Accounts Act 2000
HAF	Holiday Activities and Food programme
HE	Higher education
HEFE	Higher Education and Further Education
HEO	Higher Executive Officer
HEP	Higher education provider
HESA	Higher Education Statistics Agency
HMRC	HM Revenue & Customs
HMT	HM Treasury
HTQ	Higher Technical Qualification
IAS	International Accounting Standard
ICO	Information Commissioner’s Office
ICT	Information and Communications Technology
IfATE	Institute for Apprenticeships and Technical Education, an NDPB of the Department
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IICSA	Independent Inquiry into Child Sexual Abuse
IR35	Intermediaries Rules
ISA	Individual Savings Accounts
ITT	Initial Teacher Training
JISA	Junior ISA account
KPI	Key performance indicator
KWh	Kilowatt-hour
LA	Local authority
LEAF	Linking Environment and Farming
LGPS	Local Government Pension Scheme
LLE	Lifelong Loan Entitlement
LocatED	Located Property Limited, an NDPB of the Department
LSIP	Local Skills Improvement Plan

Abbreviation or term	Description
MAT	Multi-academy Trust
MPM	Managing Public Money (HMT publication)
NAHT	National Association of Head Teachers
NAO	National Audit Office
NASUWT	The Teachers' Union
NDPB	Non-departmental public body
NEET	Not in Education, Employment, or Training
NEU	National Education Union
NFF	National Funding Formula
NPQ	National Professional Qualifications
NRF	Non-ringfenced budget control
NTP	National Tutoring Programme
Oak	Oak National Academy Limited, an NDPB of the Department
OBR	Office for Budget Responsibility
ODP	Outcome Delivery Plan
ODPO	Office of Data Protection Officer
OfS	Office for Students, an NDPB of the Department
ONS	Office for National Statistics
OIG	Operations and Infrastructure Group, a business group of the Department
OS	Outcome Strategy
OSCAR	Online System for Central Accounting and Reporting
PAC	Public Accounts Committee
PAYE	Pay As You Earn
PCPF	Parliamentary Contributory Pension Fund
PCSPS	Principal Civil Service Pension Scheme
PF2	Private Finance 2
PFI	Private Finance Initiative
PGITT	Postgraduate Initial Teacher Training
PO	Priority Outcome
PPE	Property, Plant and Equipment
PRC	Performance and Risk Committee
PSBP	Priority School Building Programme, a programme to address the needs of the schools most in need of urgent repair
PSDS	Public Sector Decarbonisation Scheme
PSFA	Public Sector Fraud Authority
QA	Quality assurance
RAAC	Reinforced autoclaved aerated concrete
RBA	Reception baseline assessment
RF	Ringfenced budget control
RPA	Risk Protection Arrangement
RPI	Retail Price Index
SAFE	Support, Attend, Fulfil, Exceed
SARA	Sector annual report and accounts, the standalone annual report and accounts for the academy sector
SCAPE	Superannuation contributions adjusted for past experience
SCS	Senior Civil Servant
SEN	Special Educational Needs
SEND	Special Educational Needs and Disability
SEO	Senior Executive Officer

Abbreviation or term	Description
SoCF	Statement of Cash Flows
SoCNE	Statement of Comprehensive Net Expenditure
SoCTE	Statement of Changes in Taxpayers' Equity
SoFP	Statement of Financial Position
SOPS	Statement of Outturn against Parliamentary Supply
SPPI	Solely Payments of Principal and Interest
SLC	Student Loans Company Limited, an NDPB of the Department
SR21	Spending Review 2021
SRG	Sustainability Reporting Guidance
SSRB	Senior Salaries Review Body
STA	Standards and Testing Agency, an executive agency of the Department
STEM	Science, Technology, Engineering and Mathematics
STRB	School Teachers' Review Body
SWE	Social Work England, an NDPB of the Department
TME	Total Managed Expenditure
TPS	Teachers' Pension Scheme
TRA	Teaching Regulation Agency, an executive agency of the Department
TWM	Teacher Workforce Model
ULEV	Ultra Low Emission Vehicle
UN SDGs	UN Sustainable Development Goals
UNICEF	United Nations Children's Fund
USS	Universities Superannuation Scheme
UTC	University Technical College
VAT	Value Added Tax
2021-22 & 2022-23	Financial years, ending on 31 March
AY2021/22 & AY2022/23	Academic years, ending on 31 August

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