Department for Education

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Consolidated annual report and accounts

For the year ended 31 March 2015

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Contents[1]

[1] The Department has chosen to 'early adopt' aspects of HM Treasury's *Financial Reporting Manual* requirements from 2015-16 for this publication,

Glossary of key terms

Abbreviation or term	Description
Academies	All schools operated by Academy Trusts encompassing academies, Free Schools, University Technical Colleges and Studio Schools
AME	Annually Managed Expenditure
AR&A	Annual report and accounts
ATs	Academy Trusts: the charitable companies that operate all types of academy schools
BB102	Building Bulletin 102, Designing for Disabled Children and Children with SEN
BB103	Building Bulletin 103, Area Guidelines for Mainstream Schools
CAFCASS	Children and Family Court Advisory and Support Service
CLoS	Clear Line of Sight, an HM Treasury initiative to improve the transparency and consistency of government accounting
CSDSD	Children's Services and Departmental Strategy Directorate, a directorate of the Department
DEL/CDEL/RDEL	(Capital/Resource) Departmental Expenditure Limit
Department	The core Department for Education, excluding Executive Agencies, Non-departmental Public Bodies and Academy Trusts.
Department & Agencies	The core Department for Education, plus its three Executive Agencies but excluding Non-departmental Public Bodies and Academy Trusts
Departmental Group, the Group	The Departmental Group (the Group) encompassing the core Department, Executive Agencies, Non-departmental Public Bodies and Academy Trusts.
EA	Executive Agency
EFA	Education Funding Agency
ESD	Education Standards Directorate, a directorate of the Department
Estimate	Group funding, as approved by HM Treasury and subject to specific limits by category of spending.
FCG	Finance and Commercial Group, a directorate of the core Department.
FReM	Financial Reporting Manual, issued by HM Treasury
GAG	General Annual Grant
HMT	HM Treasury
GIAA	Government Internal Audit Agency
IFD	Infrastructure and Funding Directorate, a directorate of the Department
NAO	National Audit Office
NCTL	National College for Teaching and Leadership
NDPB	Non-departmental Public Body
OCC	Office of the Children's Commissioner
ONS	Office for National Statistics
PSBP	Priority School Building Programme, a programme to address the needs of the schools most in need of urgent repair
SEN	Special Educational Needs
SoCF	Statement of Cash Flows

Abbreviation or term	Description
SoCNE	Statement of Comprehensive Net Expenditure
SoFP	Statement of Financial Position
SoPS	Statement of Parliamentary Supply
STA	Standards and Testing Agency
WGA	Whole of Government Accounts
2013-14 & 2014-15	Financial years, ending on 31 March.
2013/14 & 2014/15	Academic years, ending on 31 August.

1. Lead non-executive's report

1.1 The core non-executive team has three main responsibilities. Our first is to assist the Department in the delivery of government policy priorities, with a focus on the key management drivers of organisational clarity, capability, management information and IT infrastructure. Second, we provide scrutiny to implementation challenges and risks; and, third, we provide additional leadership and support to the Board.

Performance of Department

1.2 During the financial year 2014-15, the Department made further significant progress in delivering a wide-reaching programme of reforms. This included the opening of 899 academies[2] (including converters) and, in the 2014/15[3] academic year, the launch of 108 new schools - 83 free schools, 12 studio schools and 13 University Technical Colleges (UTCs). The start of the academic year in September 2014 saw the implementation of a raft of significant policy changes, including a new, less prescriptive, national curriculum being taught in schools; the launch of the two year old early education offer to around 40% of two-year-olds; and implementation of the special educational needs and disability reforms enshrined in the *Children and Families Act 2014*. The Department successfully delivered all of these policies, recognising and managing well the cumulative impact of these reforms on the education and children's services system.

1.3 The Department also responded well to the Ministerial changes of July 2014: maintaining a firm focus on delivering the reforms already underway to achieve the government's vision of a highly educated society, in which opportunity is equal for young people, no matter what their background or family circumstances, while reacting to the specific priorities of a new Secretary of State and changes in the Ministerial team.

1.4 The non-executive team have particularly championed risk management, the effective use of data, and developing the Department's IT platforms. Progress has been made in all three areas, but there is more to do on each and they remain a focus of the non-executive team going forward.

Departmental structure

1.5 The aim of the DfE Review was to make the Department more efficient and responsive to Ministerial priorities. It reached its planned close shortly after the end of the 2014-15 financial year, having halved administrative expenditure in real terms over the 2010-15 Parliament. In the final year of the programme, two further sites closed, meaning that we reached our objective of operating from six main sites. A programme of work has been initiated to relocate staff from Sanctuary Buildings to Old Admiralty Building in 2017. To maintain momentum the Department has continued to invest effort in flexible resourcing

[2] The combined total for all types of academies (convertors, sponsored, free schools, studio schools and University Technical Colleges) opened during the financial year is 1,007.
[3] Within this document, "20XX/XY" denotes an academic year (in this case, 2014/15 denotes September 2014 to August 2015) whilst "20XX-XY" denotes a financial year (in this case, 2014-15 denotes April 2014 to March 2015).

and Continuous Improvement, enabling it to continue to deliver the government's priorities with a reduced administration budget. In order to improve reporting and provide increased clarity and rigour, a new assurance framework was introduced[4].

1.6 In September 2015, the Permanent Secretary appointed a Director General for Finance and Corporate Services, with a remit to deliver further improvements in financial management, commercial capability, IT and wider organisational performance.

Risk management

1.7 During 2014-15, we drove further work to improve the oversight of risk in the Department. The Audit and Risk Committee has monitored more closely any risks which materialised as well as near misses, to ensure that lessons are learnt. I have also ensured that the Audit and Risk Committee has provided greater scrutiny of the Department's responses to value for money recommendations from the National Audit Office and Public Accounts Committee.

Board impact

1.8 In 2014-15, governance arrangements continued to work well, with the Board's sub-committees providing regular scrutiny and challenge of the Department's delivery programme and corporate health.

1.9 There was some change in the non-executive team during 2014-15. Dame Sue John and Sir Theodore Agnew left the team during the financial year. In January 2015, Marion Plant OBE was appointed, bringing skills and experience from her background in further education. David Meller, Jim O'Neill and I remained on the non-executive team throughout the financial year. Following the move of the Government Equalities Office to the Department, Ruby McGregor-Smith (formerly a non-executive Board member at DCMS) joined the Board in December 2015. Ian Ferguson was appointed as a non-executive and chair of the Audit and Risk Committee in January 2016.

Future priorities

1.10 The 2015 general election took place shortly after the end of the 2014-15 financial year. Since May 2015, the Board and Department have undertaken significant work to develop a new strategy in response to the incoming government's agenda, framed through the recently published Single Departmental Plan[5]. Clear system goals have been identified, underpinned by a series of delivery priorities that set out what the Department will do to enable our frontline staff across education and children's services to achieve those goals.

1.11 This strategy is being implemented over the 2015 to 2020 Parliament in the context of the Department's November 2015 Spending Review settlement. This settlement reflects the government's ambitions for education and provides a firm basis from which the Department will achieve its goals. It will, of course, demand efficiencies and savings from

[4] See section 4.79

[5] The Single Departmental Plan can be found at: https://www.gov.uk/government/publications/department-for-education-single-departmental-plan-2015-to-2020

the education sector, and the Department itself will deliver a 20% improvement in productivity. The non-executive team will continue to support the Department in delivering the government's priorities through increased efficiency and productivity.

Paul Marshall 31 March 2016
Lead Non-executive Director

2. Performance report

Overview

2.1 In 2014-15, the Department's central objective was to continue to deliver the Coalition Government's ambitious reform agenda in education and children's services. The Department focused on five key priorities: to create a self-improving, school-led system; develop a great workforce, with strong leadership; increase rigour and expectations of curricula, assessment and behaviour; protect and increase opportunity for vulnerable children; and support schools and colleges to prepare well-rounded young people for success in adult life.

2.2 The Annual Report outlines the Department's many achievements in delivering this agenda. For example, September 2014 saw the implementation of several large-scale reforms, including the introduction of the new national curriculum, the launch of Universal Infant Free School Meals (UIFSM), the extension of the free entitlement of early learning for two-year olds, and the introduction of radical new Special Educational Needs (SEN) reforms. Other successes included a significant increase in the numbers of academies and free schools and the ongoing expansion of our system leadership programmes. These represent just some of the highlights of what the Department achieved in 2014-15.

2.3 To deliver these priorities as effectively as possible, 2014-15 also saw the continued implementation of the recommendations outlined in the *DfE Review.* The Department maintained its commitments to be increasingly data-driven in its work, more flexibly resourced in meeting prevailing Ministerial priorities, and relentlessly focused on Continuous Improvement (CI). We also continued to drive capability levels across the Department, particularly in the areas of finance, commercial awareness, programme and project management, and digital.

2.4 Over the year we continued work to improve the management of risk in the Department. The Performance and Management Committees monitored the biggest systemic risks faced by the education sector, ensuring that mitigations and contingencies were in place. The Audit and Risk Committee monitored closely any risks which materialised and any near misses, to ensure that lessons were learnt.

2.5 These achievements have put us in good stead to address the challenges of the current Parliament. Following the General Election in May 2015, and subsequent Spending Review, the Department provided effective support to the Secretary of State and her Ministerial team as they developed their priorities for the next five years. The Board has now agreed the Department's strategic priorities for the Parliament and we have developed the supporting Single Departmental Plan (SDP) for 2015 to 2020. This will provide a robust foundation for assessing our performance throughout the course of the Parliament.

2.6 We have also taken action to meet the significant delivery challenges posed by the Government's ambitious manifesto commitments to deliver 3 million apprenticeships, create 500 Free Schools, turn around failing and coasting schools, and provide 30 hours of free childcare for working parents of 3 and 4 year olds. This has included the swift introduction of two substantial pieces of legislation – the *Education and Adoption Bill* and the *Childcare Bill* – into Parliament. These early successes, like the achievements of 2014-15, are a testament to the hard work and commitment of colleagues across the Department.

2.7 Crucially, the Department is also in the process of reforming its financial reporting framework. As has become clear, the current consolidation methodology is unsustainable. The Department's consolidated accounts for 2013-14 and 2014-15 received an "adverse" opinion from the Comptroller & Auditor General (C&AG). The structural reporting issues that led to these opinions are well understood, and will continue to persist in 2015-16. The Department is working closely with the National Audit Office (NAO) and HM Treasury (HMT) to develop a revised financial reporting framework that will ensure transparency and improve Parliamentary oversight of expenditure by academies and the Department.

2.8 This proposed new approach will involve two key changes: refocusing the Department's Annual Report and Accounts (AR&A) so that they report on spending by the Department, and grants paid to academy trusts; and separately producing an academy sector AR&A, that aggregates academy trust expenditure for the year ending 31 August – the accounting period used by the vast majority of trusts. Once embedded, this new system will allow the Department to lay its AR&A before the summer recess for the financial year ending in March, and additionally an audited sector AR&A in the spring following the academic year end.

2.9 Given the complexity of the issue and the potential impact on wider government accounting we have sought approval from Parliament, which we received in January 2016. This means that the current consolidation methodology will have to be employed again for the 2015-16 accounts, whilst simultaneously trialling the new approach in a "dry run" exercise. The revised approach will be fully implemented in the production of the 2016-17 accounts.

2.10 Finally, I would like to take this opportunity to thank all of the Department's staff for their continued hard work in delivering the Department's objectives.

Chris Wormald 31 March 2016
Permanent Secretary

Statement of performance and activities

Vision and strategic aims

2.11 The long term vision for the Departmental Group is to provide a highly educated society in which opportunity is more equal for children and young people, no matter what their backgrounds or family circumstances. By focusing efforts on policies which raise children's attainment, the Group will close the gap between disadvantaged children and their peers to create a world-leading education and children's services system.

Responsibilities

2.12 The Department is responsible for:

- teaching and learning for children in the early years and in primary schools;
- teaching and learning for young people under the age of 19 years, in secondary schools and in further education;
- supporting professionals who work with children and young people;
- helping disadvantaged children and young people to achieve more; and
- making sure that local services protect and support children.

Our priorities

2.13 The Department's priorities for the 2014-15 financial year were to:

- create a self-improving, school-led system;
- develop a great workforce – with strong leadership;
- increase rigour and expectations of curricula, assessment and behaviour;
- protect and increase opportunity for vulnerable children; and
- supporting schools and colleges to prepare well-rounded young people for success in adult life.

2.14 We have assessed our performance against these strategic priorities in our Performance Analysis chapter at section 3.

Key issues and risks facing the Group

2.15 The systemic risks to the 'building blocks' of our education system are:

- that there are not enough school places for all children;
- that there are not enough good quality early years (education, childcare and children's centre) places for young children;

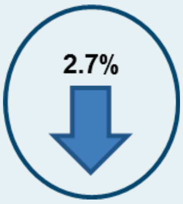
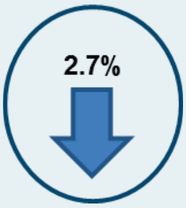
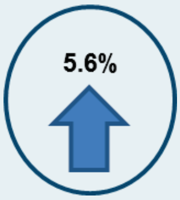
- that the primary school testing system does not work;
- that the secondary school examinations system fails;
- that the children's social care system fails;
- that the allocation and distribution of funding to schools and post-16 institutions is not accurate or timely; and
- that there are not enough teachers of sufficient quality

2.16 We have included an assessment of the Department's risk management framework within our Governance Statement (page 30). This covers risks, and their management, at the following levels:

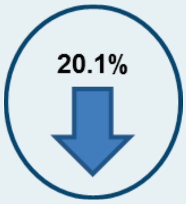
- **Systemic risks** to the building blocks of our education system: these are permanent risks in the system and require ongoing Management Committee oversight because of the severity of their impact if realised;
- **Delivery risks** to the specific current policy and reform programmes; and
- **Corporate risks** to the effective running of the Department.

Review of programmes and spending in the year

Summary of the Group's financial performance[6]

Primary statement		
Consolidated Statement of Comprehensive Net Expenditure (SoCNE) Reports total administration and programme costs and revenue	£55.3 billion Total net operating expenditure down 2.7% in the year compared to £56.8 billion (restated) in 2013-14	
	£55.0 billion Net programme expenditure down 2.7% in the year compared to £56.5 billion (restated) in 2013-14	
	£320 million Net admin expenditure down 5.6% in the year compared to £338 million (restated) in 2013-14	

[6] Reductions in net operating expenditure and programme spend are viewed as negative variances ( ) and reductions in admin expenditure and increases in net assets are viewed as positive variances ( ).

Primary statement	
	£2.7 billion Net non-operating gain on transfer of ATs down 20.1% in the year compared to £3.4 billion (restated) in 2013-14 
Consolidated Statement of Financial Position (SoFP) Provides information on the Group's closing assets and liabilities	£33.1 billion Total net assets up 19.5% in the year compared to £27.7 billion (restated) at 31 March 2014 
Consolidated Statement of Parliamentary Supply (SoPS) Provides information on how the Group has performed against the total voted Supply authorised by Parliament, broken down by control totals	The Group breached the Parliamentary control total for Annually Managed Expenditure (AME) by £101.4 million, and the control total for Capital Departmental Expenditure Limit (CDEL) by £31.2 million. A breach of the non-budget Parliamentary control total was also incurred for prior period adjustments that would have been treated as AME (£3.1 billion), Capital DEL (£42 million) and Resource DEL (£87 million) net expenditure. The Department will seek Parliamentary approval by way of an Excess Vote in the next *Supply and Appropriation Act.* At Estimate level, outturn was £2.7 billion (4.6%) higher than the £59.5 billion net resource limit. The net cash requirement limit was £58.3 billion, but the Group consumed £57.2 billion in financing its activities, £1.2 billion less than the Parliamentary limit.

Commentary on significant variances between Estimates and outturn

2.17 The Supply Estimate sets out the sums authorised by Parliament. The following table shows the main variances between the Estimate and the outturn, following significant prior period adjustments to outturn figures, as set out in Note 2 to the Accounts:

Category	Outturn	Estimate	Variance	Rationale
Budget				
Resource DEL				
School Infrastructure and Funding of Education	£102.7m	£151.8m	(£49.1m)	Primarily driven by lower than budgeted payments from this directorate.
Education Standards, Curriculum and Qualifications	£136.1m	£219.7m	(£83.6m)	The key driver for this variance was the movement of a £70 million grant for PE & Sports to be paid by the EFA rather than by this division; this classification change has led to the outturn spend instead sitting with EFA.

Category	Outturn	Estimate	Variance	Rationale
National College for Teaching Leadership	£313.1m	£402.8m	(£89.7m)	Primarily driven by lower than budgeted payments from NCTL to the schools sector.
Education Funding Agency – excluding Academy Trusts	£37,664m	£37,809m	(£144.3m)	Primarily driven by lower-than-budgeted grants to the voluntary sector.
AME				
Activities to Support all Functions (Department)	(£5.3m)	(£12.3m)	£7.0m	Provisions costs under-budgeted and in some cases, budgeted for on EA line.
Executive Agencies	£8.1m	£5.5m	£2.6m	Higher than budgeted increase in EFA provisions during 2014-15.
Academy Trusts (net)	£748.8m	£657.0m	£91.8m	Driven by a combination of higher-than-expected AT asset movements, including impairments, and pension charges.
Capital DEL.				
Activities to Support All Functions	£8.6m	£15.1m	(£6.6m)	IT grants to third sector lower than budgeted by £11 million, partially offset by higher-than-budgeted IT additions and disposal costs
School Infrastructure and Funding of Education	£1.7m	£14.8m	£13.0m	Primary drivers were lower-than-budgeted building expenditure charged to core Department
Education Funding Agency – excluding Academy Trusts	£2,992.6m	£4,204.0m	(£1,211.4m)	Key drivers were the movement of capital costs, on both Free Schools and the Priority Schools Building Programme, from EFA to ATs.
Academy Trusts	£1,784.5m	£522.2m	£1,262.3m	Due to a combination of expenditure on building projects being re-allocated from EFA to the AT sector, the expansion of the Group's free school and PSPB programmes, and the difficulties of forecasting the numbers and values of donated assets transferring from local authorities to the academy sector.
Non-budget				
Departmental Group	£3,072.9m	-	£3,072.9m	As detailed in Note 2, this variance is driven by a

Category	Outturn	Estimate	Variance	Rationale
				number of prior year adjustments, for which the Department did not obtain budgetary cover.

2.18 Further commentary on certain key variances listed above is included within the Governance Statement at paragraph 4.103. Discussion on control total breaches can be found at paragraph 6.2.

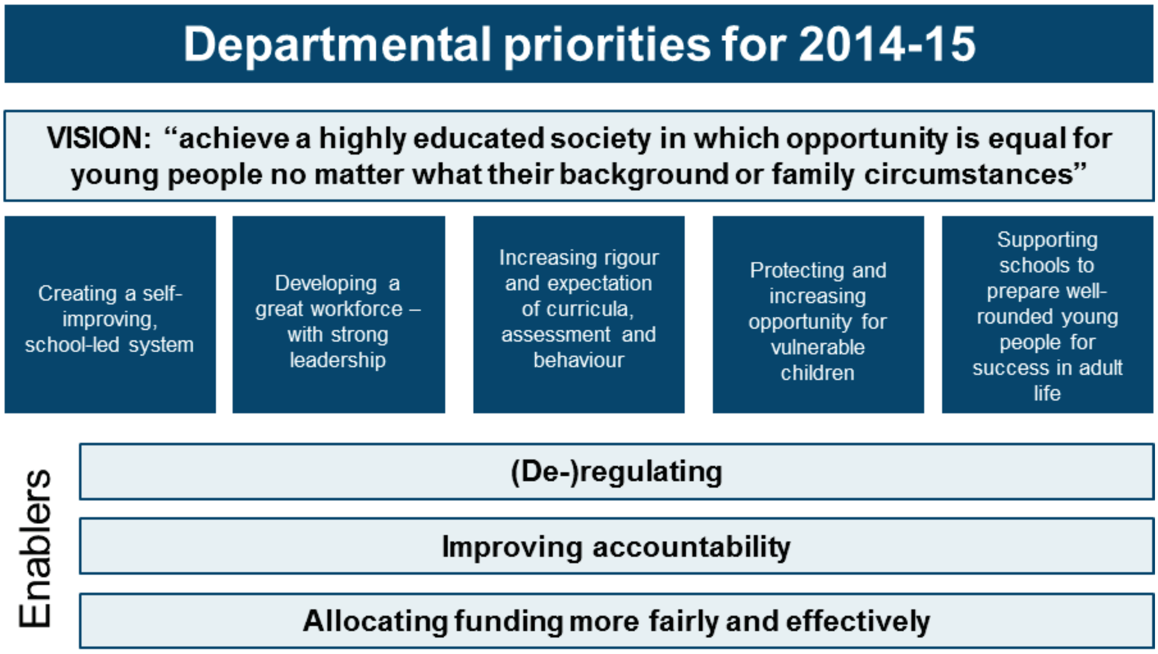
The Group's status as a going concern

2.19 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 the 2014-15 financial year or following the balance sheet date, that may affect this status. The 2015 Spending Review confirmed this assumption, with funding allocated to the Group for the next five financial years.

3. Performance analysis

Priorities

3.1 In 2014-15, the Department focused on five strategic priorities supported by three strategic enablers to deliver the Departmental vision.



3.2 Performance against each of the above priorities and enablers is described in this chapter. Please note this chapter reflects performance against a framework of priorities that relates to the last year of the previous Coalition Government. In 2015-16, the Department will be reporting against a new framework as set out in the recently published Single Departmental Plan[7] .

Create a self-improving, school led system

3.3 Supporting the coalition priority: 'Increase the number of high quality schools and introduce fair funding'.

3.4 The number of academies continued to grow, meaning more heads than ever have freedom to control their schools. Opening more free schools has helped address local demand, both for new pupil places and for alternatives to existing provision. Schools were also increasingly taking the lead in training teachers. By the end of the 2014/15 academic year, 1.4 million more pupils were being taught in schools rated 'good' or 'outstanding' by Ofsted compared to 2010.

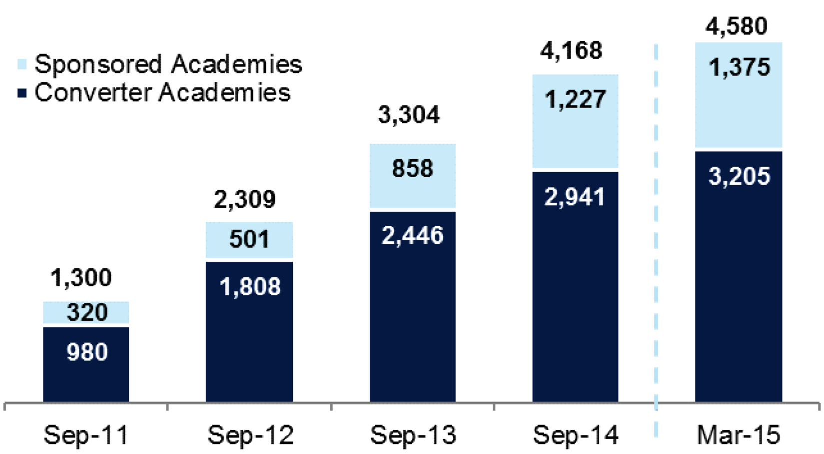
[7] The Single Departmental Plan can be found at: https://www.gov.uk/government/publications/department-for-education-single-departmental-plan-2015-to-2020

Performance measures

Academies and Free Schools

3.5 Between April 2014 and March 2015, 899 academies opened (545 converters and 354 sponsored academies). Figure. 1 shows the growth in sponsored and converter academies. As of March 2015, there were 2,476 primary academies and 1,927 secondary academies (excluding free schools, studio schools and UTCs), meaning more heads than ever run their own schools.

Fig. 1: Total number of Academies, broken down by type



NB: This chart excludes free schools, studio schools and UTCs

3.6 In academic year 2014/15, 108 new schools opened – 83 free schools, 12 studio schools and 13 University Technical Colleges.

3.7 As of March 2015, Ofsted inspections for free schools opened in 2011, 2012, and 2013 found 70% of these schools to be good or outstanding.

3.8 Since September 2014, 8 regional schools commissioners have been responsible for taking important decisions about the academies in their area. The commissioners take decisions on applications from schools wanting to become academies and organisations wanting to sponsor an academy; and are responsible for taking action when an academy is underperforming.

System leadership and school-led teacher training

3.9 In March 2015, there were 651 teaching schools and 517 teaching school alliances, up from 549 and 452 in March 2014.

3.10 We increased the number of experienced teachers, school leaders and chairs of governors who are sharing their expertise with other schools. In March 2015, there were 1,050 National Leaders of Education, up from 1,011 in March 2014. There were also 6,043 Specialist Leaders of Education (SLEs), 1,746 Local Leaders of Education (LLEs) and 341 National Leaders of Governance (NLGs) - compared to 3,789 SLEs, 1,897 LLEs and 314 NLGs in March 2014.

3.11 In 2014/15, 9,232 entrants to primary or secondary initial teacher training were on the School Direct programme, up from 350 when the programme started in 2012/13. 35% of postgraduate trainees were following the School Direct route.

Develop a great workforce - with strong leadership

3.12 Supporting the coalition priority: 'Train and develop the professionals who work with children'.

3.13 Ofsted judgements of teaching continued to show positive improvement in standards of both teaching and leadership. The improved graduate job market has made teacher recruitment more challenging in some subjects.

Performance measures

Teaching and leadership quality

3.14 As at 31 August 2015, the most recent judgement by Ofsted of all schools showed that, in the 2014/15 academic year, 85% of primary and 74% of inspected secondary schools were judged as good or outstanding for teaching, up from 82% and 71% in 2013/14.

3.15 It also showed that, in the 2014/15 academic year, 87% of primary and 80% of secondary schools were judged as 'good' or 'outstanding' for leadership, up from 84% and 77% in 2013/14.

Teacher training

3.16 Data published in November 2015 shows that the total number of new entrants to primary initial teacher training programmes in the academic year 2014/15 was 17,944 (87% of the target). For secondary initial teacher training programmes there were 13,745 new entrants (96% of the target). In both cases the number of new entrants was in line with 2013/14.

3.17 In 2014/15, 1,387 (90%) Teach First places were filled against a target of 1,500. The buoyant graduate recruitment market has meant competition for high-performing graduates has increased.

Social work recruitment

3.18 The Department runs two fast-track social work training programmes for high calibre entrants: Frontline and Step Up to Social Work. For Frontline, 2,684 eligible applications were received in autumn 2013 for the first cohort and 104 started the programme in July 2014. 98 graduated in autumn 2015. 1,875 eligible applications were received in autumn 2014 and 124 started the programme in July 2015.

3.19 For Step Up, 3,652 eligible applications were submitted in spring 2013. Initial data from regional partnerships suggests around 310 started the programme in January 2014, of which 300 graduated in March 2015. 4,306 eligible applications were received in spring 2015 for 500 places on the next cohort, which begins in January 2016.

Increase rigour and expectations of curricula, assessment and behaviour

3.20 Supporting the coalition priority: 'Reform the school curriculum and qualifications'.

3.21 Significant progress on the Department's curriculum and qualifications reforms mean that schools and teachers have more freedom over curriculum, and pupils will be able to undertake more stretching qualifications that properly prepare them for work or further study. We also saw an increase in numbers of pupils taking rigorous academic subjects at GCSE, facilitating A-levels and an increase in literacy standards.

Performance measures

Fig. 2: Percentage of pupils entering and achieving the English Baccalaureate (Ebacc)

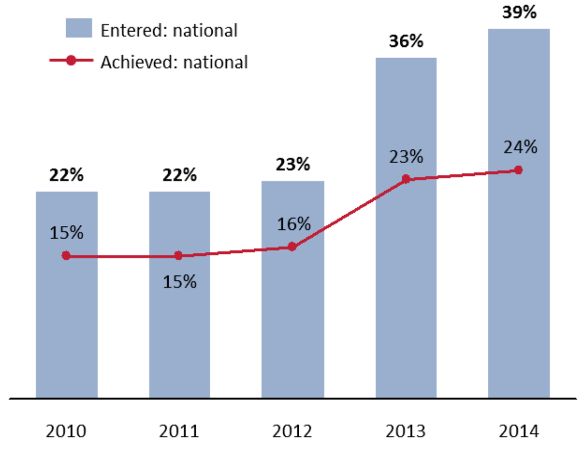
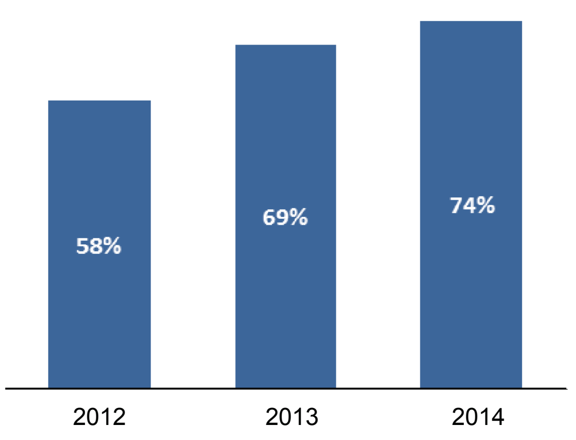


Fig. 3: Percentage of Year 1 pupils meeting expected standard of phonic decoding



Curriculum

3.22 Teaching of a new, knowledge-based but less-prescriptive national curriculum started in September 2014.

3.23 More pupils are taking rigorous academic subjects: 39% of pupils entered, and 24% achieved, the English Baccalaureate in 2014 (figure 2). 90,000 more pupils took the English Baccalaureate compared to 2010, an increase of 71% in 4 years.

3.24 74% of Year 1 pupils met the expected standard of phonic decoding in 2014, compared with 69% in 2013 (figure 3). The proportion of 6-year-olds achieving the expected standard has risen by 16% since 2012, equivalent to 102,000 more children doing well, based on the 2014 cohort.

3.25 In the 2014/15 academic year, 34 Maths hubs were established: school-led centres of excellence in maths education which are funded to support the improvement of other schools.

3.26 Working with Ofqual and awarding organisations, final specifications for new, more demanding and rigorous, GCSE English language, English literature and maths were made available from all four awarding organisations for teaching in September 2015.

3.27 Working with Ofqual and awarding organisations, new specifications for new, more rigorous, linear A-levels were made available in 13 subjects for first teaching from September 2015.

3.28 2014 data showed the number of A level entries in facilitating subjects had risen by more than 20,000 since 2009/10 to 407,674. Facilitating subjects are those most commonly required or preferred by universities to get on a range of degree courses

3.29 11% of 19 year olds in 2014 (62,875) had achieved a technical level (tech level) qualification, up from 9.4% (54,484) in 2013.

3.30 Recognising the importance of broader cultural education for all children, and in order to nurture talent, the Department has funded 123 music education hubs to support schools and pupils with a range of musical activities, for example enabling pupils to learn to play musical instruments and providing a range of musical ensembles. It also funded 8 specialist schools and 21 Centres for Advanced Training to provide specialist training for the most talented young musicians and dancers.

3.31 Through the Primary PE and Sport Premium, primary schools received over £150 million of ring-fenced funding to improve the quality of their PE and sport provision. Independent research from NatCen on the use of the premium found that 87% of schools reported that the quality of PE teaching had increased.

Behaviour and absence

3.32 In the 2014/15 academic year, 92% of schools were judged as ‘good’ or ‘outstanding’ for behaviour.

3.33 Overall absence across state-funded primary, secondary and special schools increased slightly to 4.6% in 2014/15 from 4.5% in 2013/14. There has been a general downward trend since 2010/11 when the overall absence rate was 6.5%. A pupil missed on average 8.2 days of school in 2014/15, compared to 7.9 days in the 2013/14 academic year. The percentage of pupils classified as persistent absentees increased slightly from 3.6% to 3.7%. Persistent absence rates have followed a general downward trend since 2010/11 when they stood at 6.1%.

Protect and increase opportunity for vulnerable children

3.34 Supporting the coalition priorities: ‘Introduce new support for the Early Years’ and ‘Improve support for children, young people and families, focusing on the most disadvantaged’.

3.35 Reforms to improve support for children and young people with special educational needs and disabilities are being implemented after becoming law in September 2014. There were increases in pupil premium spending and the increase in entitlement to free early education to disadvantaged 2-year-olds. The attainment gap between disadvantaged pupils and their peers continues to narrow at primary.

Performance measures

Pupil premium

3.36 For 2014-15, the pupil premium budget increased to £2.5 billion. Higher rates were introduced for disadvantaged pupils, increasing from £953 to £1,300 for primary-aged pupils; from £900 to £935 for secondary-aged pupils; and from £900 to £1,900 for looked after children. Eligibility has also been extended to all children looked after for 1 day or more and those leaving care through adoption, a special guardianship order or child arrangements order.

3.37 In 2014 the performance of eligible pupils increased at both key stage 2 and key stage 4. At age 11, 67% of disadvantaged pupils met the standard in reading, writing and mathematics, reducing the gap with their better-off peers by 1.3%. At age 16, 36.5% of disadvantaged pupils attained 5+ A*-C GCSEs including English and Maths, compared with 64% of their peers. These overall figures cannot be compared to previous years because of changes to performance tables.

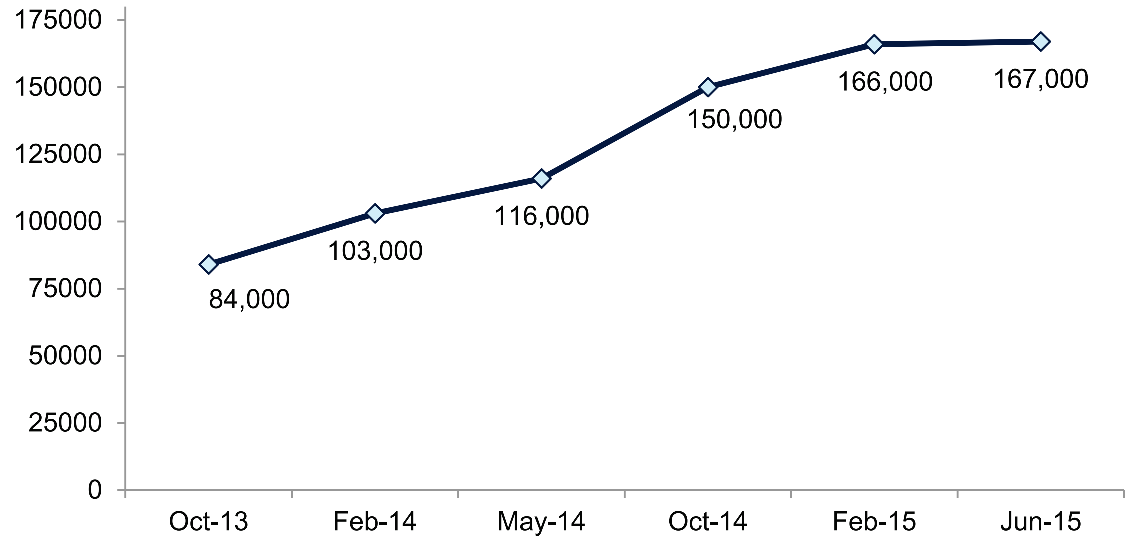
3.38 Early Years Pupil Premium (EYPP) was introduced from April 2015, providing nurseries, schools and other providers of government funded early education with extra money for disadvantaged three- and four-year-olds. The EYPP will be £50 million in 2015-16.

Childcare

3.39 The *Childcare Act 2006* placed several duties on local authorities which include: securing sufficient childcare for working parents in their area; and ensuring all three and four year olds can access 570 hours of funded early education over no fewer than 38 weeks of the year.

3.40 Since September 2014, around 40% of two-year-olds (approx. 260,000 children) have also been entitled to a funded early education place (figure 5 shows the number of 2-year-olds taking up funded early education from October 2013 to June 2015). This is a demand-led programme and we know some parents and carers may not wish to take up the entitlement.

Fig. 4: Number of 2-year-olds taking up funded early education



3.41 The first childminder agency was registered by Ofsted in October 2014. Ofsted official statistical release (June 2015) show that at the end of March 2015 there were 47,558 childminders registered on the early years register, offering a maximum of 259,699 places. Ofsted's figures also showed that 84% of childminders were judged 'good' or 'outstanding' at their most recent inspection (to March 2015), compared to 87% of non-domestic providers.

3.42 Through the *Small Business, Enterprise and Employment Act 2015*, the government has reformed the regulatory framework, enabling schools to make provision for children from age two without having to register separately with Ofsted.

Special educational needs and disability

3.43 The special educational needs (SEN) and disability reforms enshrined in the *Children and Families Act 2014* came into effect on 1 September 2014 and implementation is well underway. The Act offers simpler and more joined-up help for children and young people with SEN and disabilities; extending provision from birth to 25 years of age and giving children, young people and families greater rights, choice and control over the support they receive.

3.44 Since September 2014, all local authorities have published local offers, which have been co-produced with parents and set out the support available locally to children and young people with SEN and disabilities. We have introduced a new co-ordinated assessment process leading to integrated Education, Health and Care plans for those aged 0-25 with more complex needs. Parents and young people are now able to request Personal Budgets as part of the support they receive, increasing choice and control. All local areas are implementing transition plans setting out how they will fully transfer to the new system by April 2018.

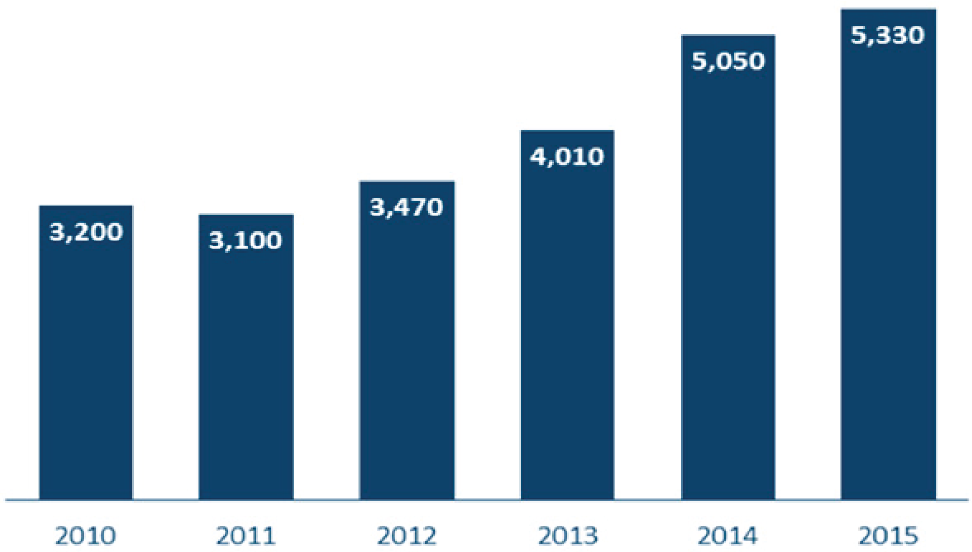
3.45 In 2014-15 the Government provided funding to help local authorities plan for the reforms, including a £70 million SEN Reform Grant and £45 million for the additional costs of implementation. £15 million was allocated for independent supporters to help parents and young people through the process of education, health and care needs assessment and planning and £5 million was made available to local authorities to increase opportunities for work experience and supported internships for young people with SEN. Further funding was allocated to regional lead authorities; a team of specialist Special Educational Needs and Disability (SEND) advisors; and a wide variety of voluntary and community sector organisations, allowing them to offer specialist advice, training and resources to help with implementation of the reforms.

3.46 The Act also introduced: a duty on local authorities to provide support for care leavers to remain with their foster families after they formally leave care at 18, up to age 21; and a duty on local authorities to appoint a virtual school head responsible for promoting the educational attainment of looked-after children in their local area.

Adoption

3.47 There were 5,330 children adopted from care in 2014-15. This represents an increase from 5,050 in 2013-14. The average time between a child entering care and moving in with their adopted family has decreased by four months, from 22 months in 2012-13 to 18 months in 2014-15. Quarterly data suggests that there has been a further improvement to 522 days (17 months) during Quarter 1 of 2015-16 - quicker than the 2011-14 scorecard threshold.

Fig. 5: Number of new adoptions (year ending March 2015)



3.48 The Adoption Support Fund was tested in ten prototype areas from June 2014, in advance of national roll out in May 2015. In total the prototypes supported over 300 families to receive therapeutic support to address the effects of early abuse and neglect. The Fund is now available nationally, with £19.3 million provided for 2015-16. Through grant funding we have tested new approaches in adoption support, including innovative new projects to: trial therapeutic short breaks; work with schools to improve the education of adopted children; and tackle child to parent violence.

3.49 The Adoption Leadership Board and the supporting network of regional boards have become embedded as a driving force for improvement, and we have worked with them on initiatives including to improve matching, spread best practice and tackle areas of concern, and to lay the ground for regionalisation.

Children's social care

3.50 The £100 million Children's Social Care Innovation Programme became operational in April 2014. The programme has received 285 expressions of interest, from local authorities and other organisations keen to test new reforms, and worked with over 60 bidders to develop full proposals. 53 projects have been awarded funding - of these: 29 projects are led by local authorities; 24 projects are led by organisations. 90 local authorities are involved in the approved projects in some capacity.

Supporting schools and colleges to prepare well rounded young people for success in adult life

3.51 Supporting the coalition priorities: 'Improve support for children, young people and families, focusing on the most disadvantaged' and 'Reform the school curriculum and qualifications'.

3.52 In 2014/15 we have seen a reduction in the number of NEETs and more apprentices and sector-led standards for apprenticeships. We also launched initiatives that will help schools focus more on developing character of pupils and drive up the quality of careers advice.

Performance measures

Not in employment, education or training (NEET)

3.53 The percentage of 16-18 year olds who were NEET at the end of 2014 was 7.3% compared to 7.7% in 2013 – the lowest level since consistent records began.

Apprenticeships and traineeships

3.54 In the 2014/15 academic year there were 125,900 under 19 Apprenticeship starts, up from 119,800 in 2013/14. In September 2014 the first students started on apprenticeships arranged under newly-developed apprenticeship standards.

3.55 In the 2014/15 academic year there were 19,400 Traineeship starts, an increase of 86% on the previous year. 11,600 of these starts were aged below 19.

Character

3.56 In December 2014, we announced that we are investing £5 million to expand the capacity of schools and voluntary organisations to deliver character education – in order to maximise young people's potential by developing the broader qualities, values and behaviours sought by parents, educators and employers. Up to £3.5 million of this investment is being used on grants to develop new innovative approaches and to expand on existing character and resilience projects. A further £1 million was provided to the Education Endowment Foundation to help build the evidence base around character and resilience education which will include evidence on what works. Around £450,000 was spent on awards to recognise excellence in character development by schools and other organisations working with children aged 5-16.

Careers

3.57 We committed to invest £20 million and to set up an employer-led company. The Careers & Enterprise Company was incorporated in February 2015 to take a lead role in transforming the provision of careers and enterprise by improving linkages between schools, colleges, employers and careers and enterprise organisations.

Children and young people's mental health

3.58 In June 2014 we published guidance on behaviour and mental health, to inform schools about how to identify and support pupils whose behaviour might indicate they have unmet mental health needs. Mental health featured for the first time in the VCS Prospectus Grant Scheme – and we announced in January 2015 that we would be committing £4.9 million in 2015-16 to support 17 mental health projects. We also announced in March 2015 that we would be contributing £1.5 million in 2015-16 to a joint training pilot with NHS England for single points of contact in schools and Child and Adolescent Mental Health Services (CAMHS).

(De-)regulating

3.59 Supporting the coalition priority: 'Reduce bureaucracy and improve accountability'.

3.60 Notable progress was made on ensuring that all front-line institutions, and the education and children's services workforce, are shielded from unnecessary bureaucracy or regulation. For example:

- In October 2014, the document *Ofsted inspections: clarification for schools* was published to dispel myths that can result in unnecessary workloads in schools.
- In October 2014, we launched the 'workload challenge' - an online survey to find out from teachers about tasks which cause unnecessary and unproductive work. We received over 44,000 responses and we published the workload challenge report and our response in February 2015.

Allocating funding more fairly and effectively

3.61 Supporting the coalition priority: 'Increase the number of high quality schools and introduce fair funding'.

3.62 *There were a number of significant reforms and announcements in 2014/15 aimed at ensuring that revenue and capital funding is well-targeted; sufficient school places, of the right type, are created where they are needed; and existing places are well-maintained. For example:*

- Through sustained and much better targeted funding, support and challenge of local authorities, centrally delivered places, and the major efforts of local authorities, as of May 2014 the number of school places had increased by 445,000 since May 2010. Central to the improved challenge of local authorities are local authority basic need scorecards, which were published for the first time in April 2014. These scorecards provide data on the quantity, quality and cost of new primary school places created by local authorities.

- In summer 2014, we completed the Property Data Survey, which is the most comprehensive survey of the education estate ever undertaken. This data allows us to better target our capital funding to improve the condition of the estate. Through the Priority School Building Programme (PSBP) we have also been directly tackling the condition need of the very worst condition buildings - the first school built under PSBP was opened in May 2014.
- In July 2014, the Government made a significant step towards fair funding by announcing minimum funding levels for 2015-16. An extra £390 million was made available to make sure every local area's allocation reflected a minimum basic per-pupil amount and minimum amounts for other pupil and schools characteristics. The additional funding was distributed to 69 of the least fairly funded local authorities.

Improving accountability

3.63 Supporting the coalition priority: 'Reduce bureaucracy and improve accountability'.

3.64 Building on reforms in previous years, the Department made further significant progress to ensure that institutions are held to account with reliable, accessible measures and an effective, trusted inspectorate – to raise standards and help parents make informed choices. For example*:*

3.65 From 2014, the 'floor' standard set for primary schools – the minimum performance that schools are expected to reach increased from 60% of pupils achieving at least level 4 at the end of primary school to 65%. In 2014, 768 schools were below the new floor standard; if the 2013 floor standards had been applied, this figure would have been 469.

3.66 In January 2015, the key stage 4 performance tables for 2014 were published incorporating Professor Alison Wolf's *Review of Vocational Education* recommendations which included capping the number of non-GCSEs included in performance measures at two per pupil. In the 2013/14 academic year, we also implemented an early entry policy to only count a pupil's first attempt at a qualification, in subjects counted in the English Baccalaureate, including English and maths.

Chris Wormald 31 March 2016
Accounting Officer

Accountability report

4. Corporate governance report

Directors' report

Directors in 2014-15

4.1 The Group's directors for 2014-15 were:

Ministers

Rt. Hon. Michael Gove MP (to 15 July 2014)	Secretary of State for Education
Rt. Hon. Nicky Morgan MP (from 15 July 2014)	Secretary of State for Education
Rt. Hon. David Laws MP	Minister of State for Schools (jointly with the Cabinet Office)
Nick Gibb MP (from 15 July 2014)	Minster of State for School Reform
Nick Boles MP (from 15 July 2014)	Minster of State for Skills and Enterprise (jointly with the Department for Business, Innovation and Skills)
Matthew Hancock MP (to 15 July 2014)	Minster of State for Skills and Enterprise (jointly with the Department for Business, Innovation and Skills)
Edward Timpson MP	Parliamentary Under Secretary of State for Children and Families
Elizabeth Truss MP (to 15 July 2014)	Parliamentary Under Secretary of State for Education and Childcare
Sam Gyimah MP (from 15 July 2014)	Parliamentary Under Secretary of State for Education and Childcare (jointly with the Cabinet Office)
Jo Swinson MP (from 15 July 2014)	Parliamentary Under Secretary of State for Women and Equalities (jointly with the Department for Business, Innovation and Skills)
Lord Nash	Parliamentary Under Secretary of State for Schools

Executive board members

Chris Wormald	Permanent Secretary
Tom Jeffrey (to 5 December 2014)	Director-General, CSDSD
Paul Kissack (from 5 December 2014)	Director-General, CSDSD
Andrew McCully	Director-General, IFD
Shona Dunn	Director-General, ESD
Simon Judge	Director, Finance & Commercial Group

Janette Durbin (to 5 September 2014)	Director of HR
Simon Fryer (from 5 September 2014)	Director of HR
Tom Shinner	Director, Strategy, Performance, Implementation Group
Peter Lauener	Chief Executive, EFA

Non-executive board members

Paul Marshall	Lead Non-Executive Board Member
Theodore Agnew (to 27 March 2015)	Non-Executive Board Member
Dame Sue John (to 16 July 2014)	Non-Executive Board Member
David Meller	Non-Executive Board Member
Jim O'Neill	Non-Executive Board Member
Marion Plant (from 22 January 2015)	Non-Executive Board Member

Treatment of pension liabilities

4.2 Details of the Group's pension arrangements are covered in detail both in the Remuneration Report (paragraph 5.11 for ministerial pensions and paragraph 5.37 for civil service pensions) and Note 21 to the Accounts.

Register of interests

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

- Electronically[8];
- By writing to: Corporate Finance Division, Department for Education, First Floor, Piccadilly Gate, Store Street, Manchester, M1 2WD.

4.4 Details of directorships and other significant interests held by Ministers are set out in the Register of Members' Interests for MPs, and the Register of Lords' Interests. Both registers can be found on the UK Parliament website[9].

Remuneration paid to auditors for non-audit work

4.5 The audit of the Group and its component entities, with the exception of ATs, was undertaken by the Comptroller and Auditor General for 2014-15; no remuneration was paid to the Comptroller and Auditor General for non-audit work.

[8] Electronically at: https://www.education.gov.uk/contactus/dfe
[9] The UK parliament website can be found at: http://www.parliament.uk/mps-lords-and-offices/standards-and-interests

4.6 Each Academy Trust commissions its own statutory audit. This work was undertaken by a large number of audit practices. Remuneration of £11.5 million (2013-14: £10.6 million) was paid by ATs to auditors for non-audit work.

Data management

4.7 There was one significant personal data incident in 2014-15, which was accordingly reported to the Information Commissioner's Office. Further detail on data security and compliance, including this incident, is held within Annex A.

Cost allocation and charges

4.8 As a public sector information holder, the Group was compliant with HMT's issued guidance on cost allocation and charging for information services in 2014-15.

Political donations and expenditure

4.9 The Group has not made any political donations during 2014-15.

Financial instruments and exposure to risk

4.10 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. The majority of financial instruments relate to contracts for non-financial items, in line with the Group's expected purchase and usage requirements, and the Group is therefore exposed to little credit, liquidity or market risk. Further detail of the Group's treatment of financial instruments and risk is held in Note 10 to the Accounts.

Developments since the balance sheet date

4.11 Following the General Election on 7 May 2015, the previous Conservative – Liberal Democrat coalition government was replaced by a single-party Conservative government;

4.12 With effect from the 1 September 2015, the Department has acquired both the Government Equalities Office (within the Department) and the Equalities and Human Rights Commission (as an Executive NDPB), to support the Secretary of State's remit as Minister for Equalities;

4.13 In December 2015, the Department consulted the Education Select Committee on our proposed new approach to reporting on the spending of academy schools, to deal with the significant problems with the current approach to consolidating spending by academies into the Department's accounts. The Treasury has also written to the Liaison Committee on this issue. Following their approval, we will implement the new approach in the 2016-17 financial year. This is described in more detail within the Governance Statement from paragraph 4.123.

Research and development activity

4.14 The Department spent £5.9 million on its centrally funded research and development programme during 2014/15. Key research strands during the year were International Evidence [including Trends in International Mathematics and Science Study (TIMSS) and Programme of International Student Assessment (PISA)]; Study of Early Education and Development (SEED); the Longitudinal Study of Young People in England: Cohort 2 (LSYPE2) and approximately 75 other research projects. Further details[10] of these research strands are available online.

Branches outside the United Kingdom

4.15 The Group does not possess or operate any branches or entities outside the United Kingdom.

Directors' declaration

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

Chris Wormald 31 March 2016
Accounting Officer

[10] Further details of the research areas can be found at: https://www.gov.uk/government/organisations/department-for-education/about/research

Statement of Accounting Officer's responsibilities

4.17 Under the *Government Resources and Accounts Act 2000* (GRAA), HMT has directed the Department for Education to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources during the year by the Group. The bodies to be consolidated are designated by order made under the GRAA (by *Statutory Instrument 2015/632*). The consolidating body will be known as the 'Departmental Consolidated Group', consisting of the Department and sponsored bodies listed at Note 26 to the Accounts.

4.18 The accounts are prepared on an accruals basis and should give a true and fair view of the state of affairs of the Department and the Departmental consolidated group. This should include the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows of the Departmental consolidated group for the financial year.

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

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

4.20 HMT has appointed the Permanent Secretary as Accounting Officer for the Group. The Accounting Officer is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that are made to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for. In turn, the Accounting Officer has appointed as Accounting Officers the Chief Executives (or equivalents) of its Executive Agencies, its sponsored NDPBs, and of Academy Trusts.

4.21 Under their terms of appointment, the Accounting Officers are accountable for the use, including the regularity and propriety, of the grants received and of the other income and expenditure.

4.22 The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Department and its NDPBs are set out in *Managing Public Money*[11] published by HMT. The Permanent Secretary can confirm that he has discharged these responsibilities properly.

4.23 The specific accountability system for education and children's services[12] was published on 20 January 2015.

4.24 For Academy Trust Accounting Officers, guidance and responsibilities are captured in the *Academy Financial Handbook*[13].

[11] *Managing Public Money* is available at: https://www.gov.uk/government/publications/managing-public-money
[12] Education and children's services can be found at: https://www.gov.uk/government/publications/accountability-system-statement-for-education-and-childrens-services
[13] The *Academy Financial Handbook* can be found at: https://www.gov.uk/government/publications/academies-financial-handbook

Governance statement

Scope of responsibility

4.25 As the Permanent Secretary and Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of departmental policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

4.26 The Chief Executives of those NDPBs sponsored by the Department and the Department's Executive Agencies are responsible for the maintenance and operation of the system of internal control in their area, as set out in each letter of delegated accountability. In all cases where statutory accounts are produced by sponsored bodies, the Chief Executive Officers have signed a governance statement outlining their internal control systems.

The Board structure

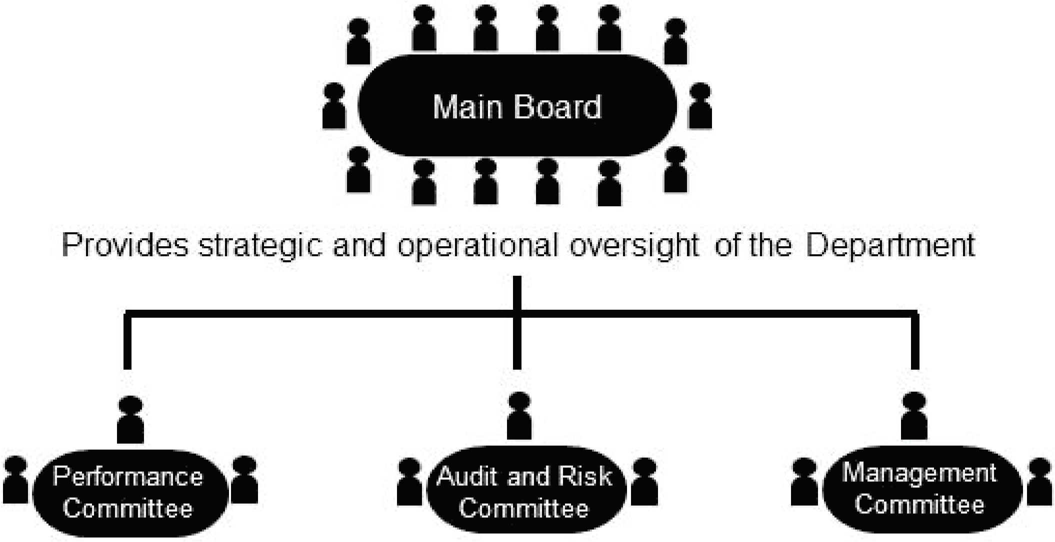
4.27 The Departmental Board met four times in 2014-15. It provides strategic and operational oversight of the Department by bringing together Ministerial and official leaders with Non-executive Board Members. Issues discussed by the Board in 2014-15 included: strategic priorities and progress in delivering these; the management of risk by the Department; extremism and the Department's response; child protection and academies. The Board is chaired by the Secretary of State and in 2014-15, its membership included the Ministers, the Permanent Secretary, all Directors General, the Director of Finance and Commercial Group, the Director of Strategy, the Director of HR, the Chief Executive of the EFA and the Non-executive Board Members (NEBMs).

4.28 The Departmental Board is supported by three sub-committees:

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

4.29 The Committees are attended by non-Ministerial members of the Board and are chaired by the Permanent Secretary (Management Committee), or one of the Department's Non-executive Board Members (Audit and Risk Committee and Performance Committee).

Structure of boards and committees



Meets monthly and scrutinises progress against the performance and delivery of Departmental objectives.	Meets at least four times per year and provides assurance to the Board and Accounting Officer on audit, risk and control issues.	Meets monthly and focuses on the department's capacity and capability to achieve against its strategic aims and objectives
Membership in 2014-15: • Lead Non-executive board member (Chair); • Non-executive board members; • Permanent Secretary; • Director General, CSDSD; • Director General, IFD; • Director General, ESD; • Director, FCG; • Director, Strategy; • Chief Executive, EFA (to Feb 2015); • Director, EFA (from March 2015) • Independent financial specialist. • Chief Analyst	Membership in 2014-15: • Lead Non-executive board member (Chair); • Two independent financial specialists; • Chair, EFA Audit Committee. Regular attendees are: • Permanent Secretary • Director, FCG • Head of Internal Audit; • National Audit Office	Membership in 2014-15: • Permanent Secretary (Chair); • Non-executive board members; • Director General, CSDSD; • Director General, IFD; • Director General, ESD; • Director, FCG; • Director, Strategy; • Director, HR; • Chief Executive, EFA.

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

Compliance with the corporate governance in central government departments: code of good practice

4.31 With the exception of the departures explained below, the Department has complied with the Code. The Board and its Committees consider the alternative arrangements have ensured good governance, albeit in a different way to the suggested approach:

- The Code recommends that departments have a Nominations and Governance Committee which should review leadership and talent management, incentive structures and governance arrangements. These responsibilities were carried out by the Management Committee, which I chaired. This was to ensure a clear set of roles and responsibilities for the Department's three committees, which were streamlined and easily understood by members of the Department. Arrangements were in place for identifying and developing leadership and high potential, scrutinising the incentive structure, and scrutinising plans for succession planning for the Board. The Management Committee discussed HR issues on a monthly basis and talent and succession planning on a regular basis. Non executives were involved in these discussions and the lead non-executive chaired meetings which dealt with rewards and incentives for executive board members and senior officials.
- The Audit and Risk Committee was chaired by the lead non-executive Board member (NEBM). It has not been possible to have a second NEBM attending on a regular basis, as recommended by the Code. The Committee is therefore significantly strengthened by the attendance of two independent financial experts and the independent chair of the EFA Audit Committee, who bring external challenge and expertise to the committee. In addition, the capacity of the Audit and Risk Committee to review the comprehensiveness of accounts was strengthened by the existence of the Financial Audit Sub-Committee, which was chaired by one of the independent financial experts. Its role was to scrutinise the Department's accounts.
- Risk systems were primarily addressed by the Audit and Risk Committee, although relevant risks were considered by all three Committees. Over the year, significant work was undertaken to improve the oversight of risk in the department by the Audit and Risk Committee. Assessment of risk and risk systems was also enhanced by the membership of the EFA Audit Committee chair on the Departmental Audit and Risk Committee.
- The Department did not carry out a formal Board effectiveness evaluation in 2014-15. The Board has, however, continued to take steps to improve its effectiveness.

4.32 In order to manage any conflicts of interest, the Department maintains a register of the interests of Board members. Board members are required to declare potential conflicts of interest that arise. Where a potential conflict of interest is identified, Board members are not involved in discussions or decisions on the matter in question.

4.33 As Accounting Officer for the whole Group, I have responsibility for reviewing the effectiveness of the system of internal control. My review was informed by my senior management team (including Accounting Officers for Executive Agencies and ALBs, who have responsibility for the development and maintenance of the internal control framework), Internal Audit, and comments made by the NAO in their management letter and other reports. I required each Director General, and the heads of certain other units who report directly to me, to sign an annual assurance statement covering risk management, the operation of related controls in their areas of responsibility, and their use of resources allocated to them. For 2014-15, I also received assurance over the completeness and accuracy of these statements from subject matter experts within the Group for the first time, enhancing the robustness of assurances provided to me.

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

4.35 Governance statements from Directors General encompassed those received from the NDPBs and EAs they oversee. The main findings are summarised within this statement.

4.36 The Audit and Risk Committee (ARC) provided me with advice and guidance on matters of risk and assurance and made recommendations on where improvements could be made. During 2014-15, the ARC discussed consolidation of the Group accounts, recommended sign off of the accounts of the Group's Executive Agencies, discussed the findings of the Group's Internal Audit function and reviewed capability within core functions of the Department. ARC also considered risks and controls around the developed of the new reporting framework for Academy Trusts, in advance of its implementation for the 2016-17 financial year. In addition, the ARC received updates from the Strategic Quarterly Performance Reviews of STA and NCTL, and the EFA Audit Committee, including the consideration of risk. ARC also advises me on the accounts for the Teachers' Pension Scheme (TPS).

4.37 I will continue to address the risks associated with the consolidation of academies into these accounts. Further commentary on these risks, their management and anticipated changes in approach are detailed within this statement from paragraph 4.93 onwards, and within Annex D regarding our consolidation methodology.

4.38 Other sources of assurance were local authority Chief Finance Officers (through the submission of a return under Section 151 of the *Local Government Finance Act 1972*), individual AT Accounting Officers, Ofsted, and the Accounting Officers of our NDPBs and EAs. These Accounting Officers reported either directly to me or to me via the EFA on the probity and appropriateness of the use of Group funding allocated to them.

4.39 The Department's accountability statement, describing the main systems of accountability for education and children's services, was first published in September 2012 and has been periodically reviewed to maintain its currency. The latest edition was published in January 2015[14]. I also received assurance from a range of external sources, such as the

[14] The January 2015 statement can be found at: https://www.gov.uk/government/publications/accountability-system-statement-for-education-and-childrens-services

Department for Communities and Local Government's (DCLG) Accounting Officer System Statement.

4.40 I continually review the quality of information provided to the Board, with peer review challenge from other Board members. As such, the Department's management information and quality of data is continually and closely scrutinised and improved in order to provide the Board, and its committees, with the best quality information available for evidence based decision-making.

Further sources of assurance

4.41 The Department has contracted with the Government Internal Audit Agency (GIAA) to provide internal audit and assurance services, based on a service level agreement. The GIAA's departmental Head of Internal Audit has provided me with his annual report, which incorporates his opinion on the Group's system of governance, risk management and internal control. His opinion has been informed by the internal audit work completed during the year, in line with the internal audit plan agreed by management and the ARC.

4.42 Of the four possible opinion ratings, the rating given by GIAA for 2014-15 was Moderate. A Moderate rating states that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. Some specific findings in 2014-15 included:

- The Department needs to continue to actively manage risk on the academies consolidation process ensuring that the new approach is workable and aligned to external expectations.
- The department needs to remain vigilant to the threat of internal and external fraud and continue to improve control and risk oversight.

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

4.44 To date in 2015-16, GIAA has issued three reports with assurance rated as Limited. These are:

- **Resource management payments - retained processes and hand-overs:** The review found that improvements have been made since controls were tightened in February 2015. However, further work is required and the review has identified a number of weaknesses in key areas of Departmental responsibility.
- **Free Schools pre-opening oversight:** the report found that whilst overall governance is sound, further work is required to: improve documentation to support risk management; clarify the roles and responsibilities of stakeholders; demonstrate compliance with the lead contact guidance; and formalise the approach to continuous improvement.
- **Data handling in data and education standards analysis group:** Whilst data governance and accountability was found to be generally effective, improvements could be made over: vetting and validation of applications to access the National

Pupil Database, information retention procedures, data handling guidance and the use of USB memory sticks.

4.45 During the year to 31 March 2015, no Ministerial Directions were issued. These would arise if I concluded that a Ministerial decision was not compatible with my duties as Accounting Officer.

4.46 The NAO published three Value for Money reports relating to the Department in 2014-15. The studies were:

- *16- to 18-year old participation in education and training*[15]*;*
- *Academies and maintained schools: Oversight and intervention*[16]; and
- *Children in care*[17]*.*

4.47 In *16- to 18-year-old participation in education and training*, the report found that, although the percentage of 16-18 year olds in education and training has increased, the Department needs better information on which of its reforms are effective, so that it can decide which to keep, stop or change.

4.48 In *Academies and maintained schools: Oversight and intervention*, the NAO concluded that the Department's system for overseeing schools is still developing. Whilst national education performance has improved, there are gaps in the understanding of the effectiveness of the different interventions made in underperforming maintained schools and academies. The Department agreed with the report's factual accuracy but disagreed with some of the report's conclusions and recommendations.

4.49 In *Children in Care,* the report concluded that children in care often have complex and challenging learning and development needs. Demand for care is increasing but the Department, which oversees the delivery of services in local authorities, does not have indicators to measure the effectiveness of the care system, or a good understanding of the variations in the cost of care.

4.50 The NAO also published Investigation into the EFA's oversight of the related party transactions at Durand Academy[18] in November 2014*.* The investigation examined the nature of the conflicts of interest, the control framework for related party transactions and the EFA's response to issues identified at Durand Academy Trust.

4.51 The NAO also published Value for Money reports, relating to the Department, on *Funding for Disadvantaged Pupils* in June 2015, and *Care leavers' transitions to adulthood* and *Overseeing financial sustainability in the further education sector* in July 2015*.*

[15] The report can be found at: *https://www.nao.org.uk/report/16-to-18-year-old-participation-in-education-and-training/*
[16] The report can be found at: *https://www.nao.org.uk/report/academies-and-maintained-schools-oversight-and-intervention/*
[17] The report can be found at: *https://www.nao.org.uk/report/children-in-care/*
[18] The report can be found at: https://www.nao.org.uk/report/investigation-into-the-education-funding-agencys-oversight-of-related-party-transactions-at-durand-academy/

The risk management framework

4.52 Successful management of the children's services and education system is vital to the long term future of the country. We developed a rigorous approach to risk management based on a 'three lines of defence' model that considered three types of risk:

- **Systemic risks** to the building blocks of our education system, that permanently exist regardless of government policy and require ongoing Management Committee oversight because of the severity of their impact if realised;
- **Delivery risks** to the specific policy programmes of the government of the day; and
- **Corporate risks** to the effective running of the Department.

4.53 We considered seven 'building block' risks:

- that there are not enough school places for all children;
- that there are not enough good quality early years (education, childcare and children's centre) places for young children;
- that the primary school testing system does not work;
- that the secondary school examinations system fails;
- that the children's social care system fails;
- that the allocation and distribution of funding to schools and post-16 institutions is not accurate or timely; and
- that there are not enough teachers of sufficient quality.

4.54 For all risks, we have adopted the 'three lines of defence' approach to managing these effectively:

4.55 The first line of defence for each type of risk was an effective system of Senior Responsible Officers and programme boards that monitor and manage risks, locally. The level of scrutiny was proportionate to the risk.

4.56 The second line of defence was a cross-department reporting system, where:

- Regular delivery reports on the main delivery risks were considered by the Performance Committee, following independent scrutiny and challenge from the department's Performance Unit;
- More detailed reports on systemic, 'building block' risks and delivery risks were scrutinised by the department's Management or Performance Committees at least twice a year, at key points – such as when new data became available or significant decisions needed to be made;
- Delivery risks were also considered in delivery meetings chaired by the Secretary of State;
- Focused reporting on areas or at periods of particular delivery risk operated more frequently, as required; and

- Corporate risks were considered, monthly, by the Department's Management Committee.

4.57 The third line of defence was the Department's Internal Audit function and Audit and Risk Committee (ARC), which operated and oversaw a comprehensive audit and assurance programme. Non-executive board members sat on the Department's Management, Performance and Audit and Risk Committees – and chaired the latter two. Independent members attended the Performance and Audit and Risk Committees to provide independent challenge and scrutiny. The ARC remained the forum that provided the assurance I needed on the effectiveness of the arrangements in place. A key part of this role was to review the management of the key financial propriety risks and receive reports on the management of fraud risks.

Key areas affecting programme delivery and the Group's operational effectiveness, where risk and assurance processes are particularly important

Organisational objectives and outcomes

Teacher recruitment

4.58 Active oversight will be required to meet the Initial Teacher Training (ITT) recruitment challenge, particularly in maths and physics. A 17% reduction in the number of university enrolments between 2011/12 and 2012/13, alongside growing pupil numbers pushing up the need for teachers by 4-7% over the next 5 years, further increases the challenge. ESD will establish a Future of Teaching Steering Group concerned principally with ensuring a sufficient supply of good teachers in this new parliament.

4.59 NCTL has sought to mitigate this for 2015/16 by introducing a range of activities to attempt to secure additional applicants, and to reduce the risk that good applicants will fail to secure places. Activities include:

- TV advertising for four weeks in March 2015;
- increasing the volume of registrants contacted about applying for places by expanding our helpline activity and recruiting additional recruitment advisers;
- allocating additional places to HEIs, schools and SCITTs that have already or are close to filling their allocated places in specific subjects; and
- allocating additional School Direct salaried places, with an additional subsidy of £5,000 to those schools that have already or are about to fill their existing allocation of School Direct salaried places.

4.60 In addition, marketing efforts were begun earlier in the year, with a new push on Train to Teach events from October 2014 (rather than in spring), and a new focus on helping schools to improve the way they market their programmes. We allocated places to ITT providers earlier in the autumn term than in previous years, enabling the Universities and Colleges Admissions (UCAS) to launch applications at the end of October 2014 (three weeks earlier than in 2014/15).

School places

4.61 The birth rate has been on an upwards trajectory for just over a decade, with a resulting need for new school places. The primary population started to increase in 2007/8 and is predicted to increase by 7% between 2015/16 and 2021/22. The secondary population will start to increase from 2015/6 and will be 16% larger by 2021/22. The duty to plan and provide sufficient school places rests with local authorities, but they rely on central government funding to help them do so.

4.62 To date, most funding has been distributed by providing un-ringfenced, formulaic capital allocations based on each local authority's predicted shortfall of places. In recent years, there have been two key exceptions to this:

- **The Free Schools programme** – where the Department assesses bids to establish new schools, and delivery is managed centrally. Of the 234 open mainstream free schools, 74% are in areas of basic need. 93% of free schools approved since January 2014 are in areas where the local authority has told the Department that there is a need for places.
- **The Targeted Basic Need programme** - where the Department assessed bids to create new schools or expand good schools, but delivery is managed locally with most places coming on stream from September 2015. Where local authorities chose to use this money to establish new schools, the provider was selected through the academy presumption process.

4.63 This funding has helped deliver 445,000 additional places between May 2010 and May 2014, with many more delivered since then and in the pipeline.

4.64 The EFA monitors sufficiency of places in each and every local authority. That monitoring varies from light touch to intensive, depending on the level of risk associated with the delivery of places in that local authority. The EFA scrutinises local authority returns, testing the accuracy of the data provided including the assumptions underpinning forecasts, the risk of slippage on building projects, and ensuring that local authorities have suitable contingency plans in place.

4.65 In April 2014, the Department published information about the number, quality and cost of the new primary places through local authority level scorecards for the first time. The Department (and taxpayers) are able to use the scorecards to understand how local authorities are using public money and where good progress is being made to provide enough, high quality school places at good value. Local authorities are able to use the scorecards to monitor their own progress in providing enough, high quality school places at good value, and compare their progress to that of other authorities. Parents are able to see clearly the situation in the local area – how many new places need to be created and whether their local authority is providing high quality places.

Extremism risks

4.66 A further area of growth is the Department's response to the threat of extremism in schools. The reports by Peter Clarke, Ian Kershaw and Ofsted into Birmingham schools[19] led to significant changes in the regulatory system for schools, in the responsibilities of schools for inculcating shared values to prepare young people for life in modern Britain and to improve safeguarding. My review of the Department's historical response to warning signs over the previous 20 years found that the Department had in the past lacked inquisitiveness over concerns about extremism and that procedures could have been tighter than they were[20].

4.67 As a result IFD have increased the resources associated with it and established a new Group, the Due Diligence and Counter Extremism Group (DDCEG), with a director leading responsibility for this area of work. This also involved a formal system for staff across the Department to refer concerns about extremism to the DDCEG, a formal case handling system and extensive training and briefing, not just for the Group members themselves but for all members of the senior civil service (SCS) in the Department.

4.68 A Counter Extremism Steering Group provides oversight of the delivery of the Group's counter extremism programme and regular reports are made to the Group's Performance Committee and to Ministers.

Future developments

4.69 In March 2016 the Secretary of State published on gov.uk her strategy overview that will guide the Department's work in coming years. To achieve our departmental vision – to provide world-class education and care that allows every child and young person to reach his or her potential, regardless of background – we are seeking to achieve three system goals: safety and wellbeing; educational excellence everywhere; and preparedness for adult life. These system goals are supported by twelve strategic priorities:

1. Recruit, develop, support and retain teachers
2. Strengthen school and system leadership
3. Drive sustainable school improvement
4. Embed clear and intelligent accountability
5. Embed rigorous standards, curriculum and assessment
6. Ensure access to quality places where they are needed
7. Deliver fair and sustainable funding
8. Reform 16-19 skills
9. Develop early years strategy

[19] Investigation report: Trojan Horse letter, July 2014 [Kershaw report]; Report into allegations concerning Birmingham schools arising from the 'Trojan Horse' letter, HC 576, July 2014 [Clarke report]
[20] Implementation of recommendations from "Report into allegations concerning Birmingham schools arising from the 'Trojan Horse' letter", DfE, 29 January 2015

10. Strengthen children's social care
11. Support and protect vulnerable children
12. Build character and resilience

Business strategy and planning

Regional schools commissioners

4.70 The last year has been a period of considerable development for IFD, driven in particular by the growth of academies and free schools that are directly accountable through their funding agreements to me as Accounting Officer. In the light of the increase in responsibilities, we introduced a significant decentralising of decision making so that more of the oversight of academies and free schools should take place at a regional level. We appointed eight Regional Schools Commissioners reporting to a national Schools Commissioner, Frank Green. The Regional Schools Commissioners (RSCs) have small offices to support directly their decision making but their responsibilities depend on the wider support of staff in Academies Group, Free Schools Group and the EFA. The RSCs provide expertise and local knowledge for the management of the academy system, and take decisions on behalf of the Secretary of State regarding academies and free schools in their region. The responsibilities of the RSCs include:

- monitoring academy performance and prescribing intervention in underperforming academies and free schools;
- taking decisions on the creation of new academies and making recommendations to ministers about free school applications;
- ensuring that there are enough high-quality sponsors to meet local need; and
- taking decisions on changes to open academies, including changes to age ranges, mergers and changes to multi-academy trust arrangements.

DfE Review

4.71 Since 2012 the central change programme has been making a series of changes and improvements to make the Department more efficient and responsive to Ministerial priorities, whilst halving the Department's administration expenditure over the span of the 2010-15 Parliament. Good progress has continued to be made in the last year on implementing the improvements, including:

- achieved increased efficiency and significantly reduced our administrative spend;
- developed flexible deployment as a means of assigning staff to areas of greatest priority;
- embedding a culture of Continuous Improvement, supported by practitioners trained in-house, to deliver projects making processes more effective and efficient;

- establishment of an Information Technology Fit for the Future programme to improve the way IT is delivered and help us improve the way we engage with our business customers;
- reviewing our spans of control to ensure that we have optimal staffing structures in place;
- introducing a new assurance framework to improve reporting and delegation of control;
- raising capability in finance and commercial management of all staff;
- delivery of savings and efficiencies under the estates strategy, including:
  - a flexible desk ratio of 7:10 introduced and 8 Square metres per person achieved at all sites.
  - relocation of Darlington staff from Mowden Hall to Bishopsgate House in February 2015. A Free School has been set-up on the Mowden Hall site and the remainder of the land will be sold for housing.
  - relocation of staff from Runcorn to Piccadilly Gate, Manchester. The Runcorn site has now been sold; and
  - sub-letting of space at our London site, Sanctuary Buildings. In 2017 we will relocate our London headquarters to Old Admiralty Building, an existing part of the government estate.

4.72 The DfE Review reached its end in 2015-16, following implementation of the above improvements, as the programme was specifically set up to effect changes during the 2010-15 Parliament. Change management programmes in some Departmental directorates continue to function and the Department will continue to challenge itself to make efficiency savings and work more effectively over the span of the 2015-20 Parliament.

Shared service provision

4.73 As last year, the Department’s human resource (HR), payroll, payments and accounting functions were provided under a shared service arrangement by Shared Services Connected Limited.

4.74 There have not been any significant operating problems this year, and the Cabinet Office has written to all clients indicating that there are no matters which need to be disclosed in departmental governance statements. ARC has also taken an active role in gaining assurance over the robustness of controls and protection of the Department’s and public interests in relation to shared services.

4.75 The Department is working with the supplier and other customers to improve end-to-end payment controls.

People capacity and capability

4.76 HR Group has a clear vision, strategy and objectives which are set out in the People Programme. In 2014-15, the programme - which operates under a Management Committee mandate and which we have aligned to the Civil Service HR Strategy - was designed to:

- manage the corporate strategic risk that the department does not have the people with the right skills in the right place at the right time;
- deliver the people strand of the DfE Review Programme; and
- deliver our vision of a departmental workforce that is engaged, motivated and high performing with the skills and agility to deliver the Department's business priorities.

Risk management

4.77 The overarching risk management framework is described above, from paragraph 4.52. Following the Group's review of practice in this area, processes for delegation of authority have now been changed, with one single letter of delegation of authority for 2015-16 bringing together all previous delegations into one place.

Commercial

School performance data programme

4.78 Last year's statement also reflected on the need to act on contract management issues identified in the delivery of our School Performance Data Programme (SPDP), in particular the risk that the complexity of requirements for the new data warehouse and the slow development of solutions was going to result in an outcome which was no longer fit for purpose.

4.79 In August 2014, SPDP was terminated, resulting in a write-off of £2.5 million, and a full and comprehensive lessons learned exercise was undertaken. The key messages from this have been shared across the Group and built into the Group's revised approach to take an incremental and low cost/risk approach to achieving our desired end state. We have also put in place new governance procedures so that developments are aligned with customer need; established a Director of Data role with clear accountability across the Department to rationalise and improve data collection; and regular reporting from the Director of Data to Management Committee on progress.

Sponsor capacity fund

4.80 Following the identification of a series of past errors in the management of the Sponsor Capacity Fund which resulted in my authorisation of an ex-gratia payment of c. £132,000, an internal audit review examined the circumstances of this case. In the light of the recommendations of that review I am satisfied that policy and procedures have been amended so that these circumstances do not recur. Actions include:

- reviewing all guidance and documentation to ensure that grant payments are only ever paid to the persons with whom the grant agreement is made;

- communicating a reminder to all those involved in academy projects that they must never indicate the likelihood or otherwise of funding being made available to sponsors; and
- reviewing the alignment between delegated financial responsibility for programme budgets, and where decision making authority resides in relation to incurring expenditure against those budgets.

Financial management and budgetary control

4.81 As noted above, during 2014-15, FCG developed a new assurance framework, which was introduced for the new 2015-16 financial year. This integrates the processes for delegations of budgetary authority, local risk management and compilation and review of governance statements. This has improved the rigour and completeness of assurance for the Group, whilst providing me with enhanced assurance that risks are governed and managed effectively at a directorate and EA/NDPB level.

Fraud, error and debt

4.82 The Department is fully engaged with the cross-government programme to reduce fraud within the public sector, sharing information and best practice with the Cabinet Office and other Government departments. At any time a number of potential instances of fraud may be under investigation, either by the Department or by the police.

4.83 Court action is pending in the case of one historic fraud: whilst that progresses, it would be inappropriate to comment further.

4.84 In 2013-14 the Teachers' Pension Scheme for England and Wales (TPS) exceeded its AME limit by £398 million. The breach was the result of an error calculating the non-cash interest charge on the pension liability. This technical breach did not cause either a loss of cash to the scheme or in any detriment to scheme members. GIAA were commissioned to investigate the circumstances and controls around TPS forecasting. To prevent a similar mistake occurring, finance staff developed an action plan to address the issues they had identified. These actions were also reflected in the recommendations of the Internal Audit report, and are detailed in TPS's own AR&A[21]. The Director of Finance & Commercial commissioned a full review of all the key financial spreadsheets used by Finance and Commercial Group. Work has been carried out to provide assurance on the quality of these spreadsheets and the processes around their use and to ensure that such a mistake could not recur. The TPS action plan and the wider spreadsheet review have been overseen by ARC. After receiving the scheme valuation report from the scheme actuaries, we are confident that the net outturn will not breach the control totals in 2015-16.

[21] TPS's AR&A can be found at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/468945/TPS_annual_report_and_accounts_print.pdf

GIAA fraud review

4.85 The Government Internal Audit Agency Investigation Team (GIAAIT) undertakes external fraud investigations for the Group on request.

4.86 In 2014-15 all the external investigations were directed towards academies or Free Schools on behalf of the EFA.

4.87 The GIAAIT also undertook a programme of fraud risk management for EFA and NCTL.

Knowledge, information and asset management

4.88 A review of storage of data and information identified that IT Group would benefit from improved control and monitoring of Information Assets. A revised process, owned centrally by the office of the Chief Technology Officer, has been put in place; this clearly identifies ownership, responsibilities and ensures compliance with Departmental Information Asset policy. This has been supported by mandatory training for all IT Group Information Asset Owners.

4.89 IT Group have introduced key performance indicators for cyber security and cyber-attacks that are reported monthly to Management Committee and ARC. Whilst IT services have not been significantly impacted by cyber threats, we have provided an effective response to threats and remedial action has ensured that staff have been able to operate as expected.

4.90 IT Group have consolidated data to establish a clear Disaster Recovery and Business Continuity position across all IT services. A Business Continuity plan has been drafted and reviewed with testing planned for 2015-16.

4.91 The Business Continuity Management Policy is owned by the Departmental Security Officer. It is reviewed annually. In March 2015 the Management Committee exercised its crisis management arrangements. There is a programme of incident management exercises for the separate Department sites.

4.92 Some minor incidents were noted in the year but none were deemed significant. Full details of issues concerning personal data reported to the Information Commissioner in 2014-15 are set out in Annex A.

Management commentary on consolidating AT expenditure into the Group

4.93 This is the third year that the Department has included Academy Trust (AT) results within the Group accounts. Under the Clear Line of Sight (CLoS) policy, AT results have been consolidated into the Group to comply with *Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2013.* This reflects the classification of academies (including Free Schools) as central government public bodies by the Office of National Statistics (ONS).

4.94 The *Academies Act 2010* led to a significant expansion in the number of academies in England and Wales. The policy intention was that ATs (and their academies) should be autonomous charitable institutions with fully devolved responsibility for operational decisions. This has led to the vast majority of ATs choosing a financial year end of 31 August, to align with their academic calendar and key operational, and educational, cycles.

4.95 Alignment of an AT financial year to the academic year enables their accounts to be more useful at a local level, as factors such as budgeting, recruiting and funding are usually based on the academic year. Following discussion with Ministers, the Group chose not to compel ATs to adopt its 31 March financial year end, both to avoid misalignment of ATs' financial and academic years, and on the principle of giving ATs as much operational independence as reasonably possible. All but a handful of ATs have adopted a 31 August financial year end.

4.96 This decision has been beneficial for ATs, and the production of annual accounts by ATs is a significant advance compared to local authority-maintained schools. However, this has led to significant problems in consolidating AT accounts in the Group accounts, which have to be constructed through the application of a number of significant and material adjustments, to take account of ATs having a different year end and preparing accounts using different accounting standards to the Group. As the number of academies increases, there has been a growing risk that this will give rise to material error or uncertainty within the accounts. This risk was realised for both the Group's 2012-13 and 2013-14 accounts, as set out in the C&AG's audit certificates and reports, which issued a qualified audit opinion for 2012-13 and an adverse audit opinion for 2013-14. This also led to the Group's 2014-15 accounts receiving an adverse audit opinion.

Our current approach

4.97 The process to deliver the 2014-15 Group accounts was both costly and lengthy, and delivered accounts constructed from a number of constituent parts. The first stage was to collect ATs' audited accounts and accounts returns for the period ending 31 August 2014. For those ATs whose academies opened in 2014-15, and therefore did not publish accounts to 31 August 2014, we requested an unaudited accounts return for the period to 31 March 2015. All accounts returns were then subject to a consolidation and data cleansing exercise. Building on previous experience, we continued to improve the quality, accuracy and completeness of the individual returns, despite increasing the number of operational academies to 4,900. This exercise continues to be one of the largest consolidation exercises in the world.

4.98 At the same time, the Department also produced accounts for the Department and its agencies and NDPBs.

4.99 Once we were satisfied that the constituent parts were in place, the Department made a number of adjustments to AT data (Annex D details our methodology). This reflected the inconsistencies created through having data drawn from different accounting periods, and differing accounting standards used within the Group (the Charities Statement of

Recommended Practice for ATs, and HMT's FReM and International Financial Reporting Standards for the non-AT components of the Group).

4.100 I am satisfied that there has been suitable rigour in respect of the 2014-15 accounts for the individual components of the Group, with the exception of the recognition of assets constructed by EFA for use by ATs.

4.101 I consider, with the above exception, that the material errors identified within the accounts result from the adjustments required by the novel consolidation approach.

4.102 The C&AG has issued an adverse audit opinion on the Group's 2014-15 accounts. This recognises the difficulty of preparing accurate accounts consolidating so many organisations, many new to formal financial reporting, in a way that met stringent central government reporting requirements.

- **Control total breach**:

4.103 The Group breached the AME Parliamentary control total by £101 million, mainly as a result of higher-than-anticipated impairment charges on land and buildings. Following an AME breach last year, the Estimate was significantly increased but this is an extremely difficult area of spending to predict and forecast. Provision was increased again in the current Supplementary Estimate rounds.

4.104 The Group also recognised a capital DEL control total breach of £31.2 million, arising from the expansion of the Group's free school and PSPB programmes and, in particular, the difficulties of forecasting the number and value of donated assets transferring from local authority control to the academy sector. A £3.1 billion breach of non-budget expenditure also occurred due to prior period adjustments processed.

- **Irregularity of capital expenditure:**

4.105 The Group's capital programme, managed by the EFA, operates within a fluid highly commercial context. Acquiring the large number of sites needed in a fast-moving property market for new free schools is both commercially and technically challenging. There are also challenges in attracting and managing commercial contractors to refurbish school buildings under the PSBP. This makes the Group's capital programme inherently different from the activities undertaken in many other parts of government.

4.106 The EFA has put in place controls to balance the requirement for public accountability with delivering this challenging programme. At the programme level, free school and PSBP capital activity is governed by programme boards reporting to a Capital Programme Board and ultimately, to EFA's Capital Oversight Board. The Major Projects Authority within the Cabinet Office also subjects the PSBP to scrutiny.

4.107 At the project level, the EFA assess all free school applications at the budget approval and change control stages. The EFA capital approvals review panel, comprising independent property, technical and financial reviewers, scrutinises projects' regularity, probity, value for money, risk and affordability. Independent peer review of the PSBP, establishes whether the scheme fits with the programme's policy and objectives, is technically deliverable and is affordable.

4.108 EFA management escalates capital projects to their Accounting Officer, the Department, ministers or HMT if regularity and propriety assessments raise concerns around cost and VfM, risk to public funds, propriety or include unusual characteristics. During 2014-15, the EFA escalated 105 free school and 12 PSBP projects to their Accounting Officer, 50 free school projects to Ministers and 40 to HMT.

4.109 The Group, via the EFA, has reviewed its processes as the capital programme has expanded and developed. The EFA considered NAO's audit of the 2014-15 accounts as part of this review. The audit identified certain capital transactions types that, even if considered prudent, VfM and necessary to deliver the capital programme, may challenge the boundary of compliance with *Managing Public Money*. There were also some transactions where HMT approval should have been secured as well as cases, amounting to £70,000, where additional income should have been transferred to the Consolidated Fund.

4.110 The Group has therefore clarified the current scheme of delegation in place with HMT to ensure that the Group can continue activity essential for expanding and improving the school estate without the risk of impinging on *Managing Public Money*. As part of this, the Group has agreed with HMT retrospective approval. In addition the Group is in discussions with HMT to agree a framework for prospective deemed consent, for the following classes of transaction:

- acquiring a site in advance of a specific project being identified where there is high basic need and a clear VfM argument;
- entering into transactions with more complex commercial arrangements where such arrangements are judged to be VfM and essential – for example purchases including surplus land parcels subsequently leased back to the vendor;
- construction of related infrastructure (for example access roads) where essential to the school project; and
- arrangements for receipt of income from commercial tenants of acquired sites where there are arrangements in place to manage out the tenant.

4.111 Recognising the rapid growth in the scale of the Group's capital activity, the Group, again through the EFA, has instigated a number of improvements to financial management of capital transactions including:

- improvements to documentation and strengthening record keeping;
- enhancement of training and guidance so that staff responsible for leading capital projects have a sound understanding of *Managing Public Money*;
- revision of internal processes for project approvals to further embed assessments of regularity early on in the cycle;

- strengthening of project monitoring to ensure potential losses and write-offs are identified earlier; and
- developing processes for capital accounting to minimise errors and misstatements.

Opening balances:

4.112 We describe in Annex D our revised consolidation approach and restatements in paragraph 6.5 and in Note 2 to the Accounts. The majority of the restatement to opening balances results from changes to how the Group values its academy land and building assets.

4.113 Land and building opening balances (31 March 2014) have been restated as a result of applying: a suitable index for land, the published revised school size standards (Building Bulletin 103)[22] and clarifying when assets under construction are recognised and by whom.

4.114 Due to the nature of these opening balance restatements (addressing issues identified in prior years' audits) we do not expect these restatements to recur in future years.

Progress in 2014-15

4.115 The Department continued to be supported by Deloitte in consolidating ATs' accounts returns and budget forecasts, as in previous financial years. For the first time in 2014-15, the Department also commissioned Deloitte to undertake certain financial reporting activities, including initial drafting of the Group accounts. As in previous years, I, as Accounting Officer, am fully accountable and responsible for the outcomes of Deloitte's work, and I continued to have in place appropriate quality assurance and review processes over that work.

Areas where further progress is required

Budgetary and financial controls

4.116 The Statement of Parliamentary Supply (SoPS) sets out the grant funding and resource expenditure of the Department against funding control totals set by Parliament. The creation of Academies has had a fundamental impact on the Department's accounting and reporting boundary. The norm is that maintained schools are grant funded but academies are now considered, for accounting boundary purposes, to be part of the Group. However, the Department does not manage the resource consumption of ATs; rather, the Department recognises that schools should be subject to local management and decision making and the Department only manages the cash allocations made to this part of the Group. An added complication is that an academy performance year is an academic year and they develop both budget plans and accounting returns to reflect this. This means that that the Department now has to produce an estimation of resource expenditure based on accounts that are produced for a different reporting period.

[22] *Building Bulletin 102 Designing for Disabled Children and Children with SEN* and *Building Bulletin 103 Area Guidelines for Mainstream Schools* are both relevant, depending on the type of school in question, but are subsequently referred to as BB103 in this AR&A for brevity.

4.117 Comparisons of control totals against outturn are detailed in Annex C – Table 2, whilst the key drivers of these variances are analysed within the Financial Commentary at paragraph 2.17.

4.118 ATs must adhere to the regulatory guidance set out within their *Academy Financial Handbook*, but gain freedoms given to them on incorporation which allow them to retain unspent funds to spend in future financial years and raise their own income. These freedoms, combined with ATs' ability to move certain types of expenditure between resource and capital sub-totals, have significantly complicated the task of forecasting AT net expenditure within the Group's financial year in time to adjust agreed control totals and then report via the SoPS. Future improvements to this system include in-year monitoring of AT cash balances.

Delayed laying and publication in 2014-15

4.119 Under the *Government Resources & Accounts Act (2000)*, all central government departments are obliged to lay their AR&As before Parliament no later than ten months following the end of the relevant financial year: by 31 January 2016 for the 2014-15 financial year.

4.120 We planned our consolidated accounts preparation process to support the laying of our 2014-15 AR&A by 31 January 2016, within the statutory deadline. However, during January 2016 we became aware that the C&AG's concerns were sufficiently strong as to merit delaying the laying of the accounts in order to provide additional evidence to support key accounting judgements within the accounts. From discussions between the C&AG and the Department, it became apparent that proceeding with the planned laying date could potentially lead to additional audit qualifications, and that additional evidence would be required to enable the C&AG to form an opinion on the Group's accounts.

4.121 Consequently, I decided in January 2016 to delay laying and publication of the AR&A. Accordingly, a Statutory Instrument was laid by HMT on 29 January, to adjust the deadline from 31 January to 30 April 2016. The additional time enabled for the C&AG to review the audit trail, which had been strengthened by the additional of further evidence around key balances. This allowed the C&AG to satisfy himself that the consolidation has been carried out in accordance with the processes we have established. It has also enabled us to make a small number of adjustments to the financial statements which reduced the overall levels of error and uncertainty.

4.122 Work undertaken during the period by the Department's financial accounting teams between January and April 2016 included:

- Improving the audit trail and level of audit evidence available to the NAO;
- Responding to additional audit queries arising from this evidence;
- Agreeing and processing several significant audit adjustments, primarily relating to prior year adjustments.

Future developments

New financial reporting frameworks

4.123 The following section summarises:

- how and why the existing arrangement for academies are failing to meet the principles and achieve the benefits of CLoS;
- the options that have been considered to improve on the status quo;
- how the proposed alternative approach may better meet the principles and intended benefits of CLoS;
- review arrangements that would exist to monitor the implementation of the new approach to ensure it achieves the intended benefits.

Failure of the existing consolidation approach

4.124 CLoS reforms were implemented across all departments in 2011-12 in order to improve the transparency, clarity and consistency of reporting on public expenditure by aligning budgets, Supply Estimates and accounts across government. It aimed to do this by:

- aligning Parliamentary controls (in Supply Estimates) with the government's budgetary controls and setting these on a net resource basis;
- putting all non-voted expenditure and income within the boundary of Estimates; and
- extending the Estimates and accounting boundaries to consolidate non departmental public bodies and other bodies classified to the central government sector.

4.125 The Department's existing reporting arrangements seek to meet the requirements and principles of CLoS. 'Net spending' by academies has been included in the Supply Estimates and the Departmental resource accounts seek to consolidate spending of all academies. However, it has become clear that, in practice, the underlying aims and benefits of CLoS re not being achieved. Four key issues demonstrate failure to meet these aims and benefits.

- In the absence of a better model to forecast academy trusts' (AT) expenditure, the academies 'net spending' total approved by Parliament through the Estimates process has, in practice, been the planned grant payments of General Annual Grant (GAG), rather than a forecast of academies' net spending.
- There has been very limited in-year financial data to enable academies' spending to be properly factored into the government's aggregate public spending controls and to inform wider financial decisions.
- The Group's consolidated resource accounts for both 2013-14 and 2014-15 received an adverse opinion from the C&AG as they were not considered to be true and fair. The problems with the current approach were primarily driven by:
    - non-coterminous year ends; and
    - the rapid speed of growth and diversity in the sector with around 1,000 schools converting to academy status each year. As of December 2015, there were now

3,026 charitable academy trusts consisting of 5,591 educational establishments[23].

- The laying of accounts and provision of underlying financial information has not been timely.

Criteria and issues considered in assessing the options

4.126 Options for reform were assessed by considering their impact on meeting certain criteria. The Department considered:

- how the transparency, clarity, accuracy and usefulness of the Department's reports would be improved, not only in terms of the information provided to Parliament but also information that is useful for the academy sector;
- whether the proposals would allow the requirement for significant improvements to in-year data and financial year forecasting to be achieved;
- the potential need for a new Parliamentary mechanism for net spending;
- the possible improvements to the Department's approach to Whole of Government Accounts;
- any legal barriers that would need to be overcome;
- the impact on academies with a view to minimising burdens;
- the timeliness of reporting, particularly whether reports can be laid before the summer recess;
- the changes required to HMT systems (OSCAR);
- how ongoing action by the department to improve the management of cash balances within the sector is supported;
- the implications for the recognition of land and buildings; and
- opportunities to support ongoing efforts to improve financial management capability across the sector.

Summary of options to improve the status quo

4.127 A wide number of options for improving on the status quo have been considered. The principal options considered are outlined below:

- Align year ends to 31 March

  This could be done by:

  - Forcing a change in academy trusts' own year end. However, current legal advice suggests there may be significant legal barriers to achieving this outcome.
  - Requiring academies to produce an audited return to 31 March in addition to their financial statements to 31 August. However, this is likely to lead to:

[23] As at 1 October 2015

  - a significant administrative burden to the academy sector by creating misalignment with its operating cycle; and
  - a heavy cost implication for the sector in respect of additional audit fees, estimated by the Department to be in the region of £30 million a year.

- Reclassification

  The government could remove further controls from the sector to enable academies to be classified by the ONS as outside of the public sector for the National Accounts (in accordance with the requirements of *European System of Accounts 2010*). However, AT assets are used by government to deliver statutory educational requirements and it was agreed that in order to satisfy the ONS criteria of reclassification to the private sector, a disproportionate degree of control would need to be lifted, which would not be acceptable to Ministers.

- Continual improvements to existing arrangements

  In order to improve the existing reporting outcomes under the current framework with no change to reporting year ends, a number of incremental improvements in timeliness, accuracy, financial management and fiscal reporting have been considered. However, the limitations of these improvements would not enable the Group to lay its accounts before the summer recess or address the fundamental issues around the consolidation approach.

- Alternative approach to Clear Line of Sight

  An alternative option that we have considered involves deviation from the normal Parliamentary and spending control framework. In summary, the Department would:

  - include the grant paid to academies for the <u>financial year</u> in their Departmental Estimate and accounts;
  - cease to consolidate academy trusts in their resource accounts; but
  - publish a separate, additional audited "sector report and accounts" which reports academy trusts' financial performance on an <u>academic year</u> basis (i.e. to a 31 August year end). The report would be prepared on a FReM compliant basis and include all academies for the academic year in accordance with an Accounts Direction issued by HMT.

4.128 HMT budget controls for the Department would continue to apply to academies' net spending to support the management of the wider public finances.

4.129 Under this approach it is envisaged that Parliament would have more relevant, accurate and useful information needed to assess performance and governance, not only of the core Department but also of the academy sector itself.

4.130 The balance of benefits and drawbacks of the above options has been considered by the Department and HMT, in consultation with the NAO, as well as by HMT's Alignment Review Committee. Agreement has been reached that moving to the sector report approach is the most attractive and appropriate solution to address the significant weaknesses within the Department's current reporting approach. This is explored in more detail below.

4.131 The sector report will follow the structure agreed under the simplification and streamlining project for all those entities within the FReM boundary and will include a performance report, an accountability report and accounts.

4.132 We have now received approval in principle from Parliament to implement our proposals from the 2016-17 financial year with the first sector report and accounts for the academic year 2015/16 published in 2017. The proposals for reform being put forward will be subject to a series of review points overseen by a governance committee reporting periodically to HMT's Alignment Review Committee.

Assessment of alternative approach against the principles and intended benefits of Clear Line of Sight

4.133 The proposals under the alternative approach seek to align with the overarching principles of CLoS by improving the transparency, clarity and timeliness of reported information, thereby making it easier for Parliament to scrutinise how voted funds are being spent.

4.134 The sector report will provide more comprehensible financial information on the academy sector by:

- allowing Parliament to track more clearly the trends in academy spending over time;
- improving clarity and coherence through separate and more accurate reporting linked to the operational performance of the sector;
- removing significant uncertainties arising from the existing complex consolidation methodology to enable a clear reporting trail and line of accountability between the grant voted by Parliament (and received by academies) and the final total spending reported to Parliament for the sector; and
- providing greater transparency on the income received by the sector from sources other than Parliament.

4.135 The boundary of public expenditure, for which I, as Accounting Officer, am accountable to Parliament, would remain the same as under the normal arrangements for CLoS. The difference would be that the accountability would be provided through two publications (the Departmental accounts and the sector report) instead of one. It is anticipated that these reports would be provided to Parliament on a more timely basis than is currently possible under the existing consolidation approach.

Alignment of Parliamentary and government control

4.136 As part of the reforms, Estimates and the associated Parliamentary control frameworks would switch to a grant basis.

4.137 I, as Accounting Officer, would remain accountable for academies' net spending and HMT's control framework would remain in place and apply to net spending. In-year spending controls would be further strengthened by improvements to Department's forecasts of academies' expenditure.

4.138 Differences between the aggregate budgetary totals used by government to manage overall spending and the aggregate totals voted by Parliament would be created. However, improvements to forecasting should, over time, allow more reliable data to become available to assist government's wider financial decision making and improve the management control of aggregate spending totals, a key principle of CLoS.

Further issues to address

4.139 The introduction of the sector report would not resolve all reporting issues, in particular relating to Whole of Government Accounts (WGA). The requirement to capture the net expenditure and financial position of ATs for their consolidation within WGA would remain. Additional information to support the balance sheet items would be obtained through existing returns from academy trusts and local authorities. A mismatch in counterparty eliminations for the purposes of WGA would continue to be an issue due to the non-coterminous year ends. To ensure the methodology is robust it would be tested through a dry run in 2016 and be subject to review as part of a wider programme of structured review.

4.140 Limited assurance over the recognition of land and buildings has resulted in a qualification in the Group's consolidated accounts in recent years. This ongoing issue is likely to continue to result in a qualification in both the proposed sector report and WGA. The Department has continued to work to resolve this issue but removing this qualification would be unlikely to be immediately achievable under the new approach.

Review arrangements to monitor implementation

4.141 I have now written to the Education Select Committee and to the chair of the Public Accounts Committee about these proposals. HMT have sought the views of the Liaison Committee. Having received conditional Parliamentary approval, I intend to implement the new approach in the 2016-17 financial year, as set out above. This would mean that we would continue to use the current, flawed, consolidation approach, in producing our accounts for 2015-16.

4.142 The new proposals offer improvements to the current arrangements but this would need to be kept under review. Once the size of the sector population stabilised, the accuracy of data and modelling assumptions used to determine academy net expenditure at that time might allow the department to return to arrangements more aligned to CLoS. This assessment would form part of the review considerations.

Chris Wormald 31 March 2016
Accounting Officer

Remuneration and staff report

5. Remuneration report

Part A: Unaudited

Ministers' and other Board members' remuneration policy

5.1 Ministers' remuneration is set by the *Ministerial and Other Salaries Act 1975* (as amended by the *Ministerial and Other Salaries Order 1996*) and the *Ministerial and Other Pensions and Salaries Act 1991*.

5.2 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 Senior Salaries Review Body (SSRB).

5.3 Performance management and reward policy for members of the Senior Civil Servants (SCS) is managed within the 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 SSRB recommendations. The SCS performance management and reward principles for 2014-15, which include explanations of how base pay and performance awards levels are made and assessed are published[24]. SCS performance awards are allocated from a central salary 'pot' expressed as a percentage of the Department's SCS salary bill, which is agreed centrally each year following the SSRB recommendations. In 2014-15 this 'pot' was limited by the Cabinet Office to 3.3% (2013-14: 3.3%) of the total SCS salary bill from which individuals were awarded varying amounts, dependent on performance.

5.4 The pay of SCS in the Department is decided by the SCS Pay Committee, chaired by the Permanent Secretary, and comprising members of the Management Committee. The SCS Pay Committee makes decisions within the limits and delegated authorities set by the government in response to the annual report of the Senior Salaries Review Body (SSRB), who publish additional information[25]. The Permanent Secretary meets separately with a non-executive member to determine the pay of executive Board members.

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

5.5 The Permanent Secretary is appointed by the Prime Minister on the recommendation of the Head of the Home Civil Service and with the agreement of the Ministerial head of the Department. The Permanent Secretary's pay is set by the Prime Minister on the

[24] The Senior Civil Service Performance Management and Reward principles can be found at: https://www.gov.uk/government/publications/senior-civil-service-performance-management

[25] The SSRB website for additional information is: https://www.gov.uk/government/organisations/review-body-on-senior-salaries

recommendation of the Permanent Secretaries Remuneration Committee, a sub-committee of the SSRB.

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

5.7 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[26].

Service contracts

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

5.9 Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commission is available[27].

[26] The Civil Service Management Code is set out at: https://www.gov.uk/government/publications/civil-servants-terms-and-conditions
[27] Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

Part B: Audited

Remuneration (including salary) and pension entitlements

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

Salary, benefits-in-kind and pensions

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

Ministers

				2014-15				2013-14
	Salary £	Benefits -in-kind £	Pension benefits £	Total £	Salary £	Benefits -in-kind £	Pension benefits[1] £	Total £
Secretary of State								
Rt. Hon. Nicky Morgan MP (from 15 July 2014)	46,641 *(67,505)*	-	10,000	57,000	-	-	-	-
Ministers of State								
Rt. Hon. David Laws MP	31,680	-	11,000	43,000	32,344	-	12,000	45,000
Nick Gibb MP (from 15 July 2014)	22,568 *(31,680)*	-	8,000	31,000	-	-	-	-
Parliamentary Under Secretaries of State								
Edward Timpson MP	22,375	-	8,000	30,000	23,040	-	9,000	32,000
Sam Gyimah MP (from 15 July 2014)	15,120 *(22,375)*	-	5,000	20,000	-	-	-	-
Nick Boles MP (from 15 July 2014)	-	-	-	-	-	-	-	-
Lord Nash	-	-	-	-	-	-	-	-

5.12 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.

5.13 Nick Boles MP served in a joint post as a Minister of State with the Department for Business, Innovation and Skills (BIS). His Ministerial salary was paid by that department and is disclosed by them.

5.14 Lord Nash became Parliamentary Under Secretary of State on 10 January 2013, having previously been a non-executive director. No remuneration was taken.

Former Ministers

				2014-15				2013-14
	Salary £	Benefits -in-kind £	Pension benefits £	Total £	Salary £	Benefits -in-kind £	Pension benefits[1] £	Total £
Former Secretary of State								
Rt. Hon. Michael Gove MP (to 14 July 2014)	22,502 *(67,505)*	-	7,000	30,000	68,169	-	25,000	93,000
Former Parliamentary Under Secretaries of State								
Elizabeth Truss MP (to 14 July 2014)	7,458 *(22,375)*	-	3,000	10,000	23,040	-	9,000	32,000
Matthew Hancock MP (to 14 July 2014)	-	-	-	-	-	-	-	-

5.15 Matthew Hancock MP served in a joint post as a Minister of State with BIS. His Ministerial salary was paid by that department and is disclosed by them.

Officials

	2014-15					2013-14				
	Salary £000	Bonus £000	Benefits -in-kind £	Pension benefits £000	Total £000	Salary £000	Bonus £000	Benefits -in-kind £	Pension benefits £000	Total £000
Permanent Secretary										
Chris Wormald	160-165	-	-	55-60	220-225	160-165	-	-	30-35	195-200
Directors General										
Andrew McCully	125-130	-	-	40-45	165-170	120-125	-	-	100-105	225-230
Shona Dunn (from 1 August 2013)	120-125	-	-	105-110	225-230	65-70 *(115-120)*	-	-	110-115	180-185
Paul Kissack (from 8 December 2014)	35-40 *(125-130)*	-	1,300	25-30	65-70 *(125-130)*	-	-	-	-	-
Directors										
Simon Judge	95-100	-	-	20-25	120-125	95-100	-	-	5-10	105-110
Tom Shinner (from 1 December 2013)	125-130	10-15	-	45-50	185-190	35-40 *(125-130)*	-	-	10-15	50-55
Simon Fryer (from 28 August 2014)	40-45 *(75-80)*	-	-	110-115	155-160 *(75-80)*	-	-	-	-	-
Chief Executive of the Education Funding Agency										
Peter Lauener	140-145	-	-	10-15	150-155	140-145	-	-	(5)-0	135-140
Former Directors General										
Tom Jeffery (to 5 December 2014)	100-105 *(140-145)*	-	-	-	100-105 *(140-145)*	140-145	-	-	10-15	150-155
Former Directors										
Janette Durbin (to 5 September 2014)	40-45 *(95-100)*	10-15	-	25-30	85-90 *(95-100)*	85-90	10-15	-	5-10	110-115
Hilary Spencer (to 30 November 2013)	-	-	-	-	-	55-60 *(85-90)*	-	-	20-25	80-85

	2014-15					2013-14				
	Salary £000	Bonus £000	Benefits -in-kind £	Pension benefits £000	Total £000	Salary £000	Bonus £000	Benefits -in-kind £	Pension benefits £000	Total £000
Stephen Meek (to 30 September 2013)	-	-	-	-	-	55-60 *(115-120)*	-	-	(5)-0	55-60

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

5.17 Peter Lauener became the joint Chief Executive of the Skills Funding Agency (SFA) on 1 November 2014 and it has been agreed that the SFA will pay 50% of his costs from that date. Peter Lauener will continue to receive the same remuneration from the EFA, however the EFA will recover the SFA's contribution to his remuneration directly from the SFA.

Salary

5.18 '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 (£66,000 from 1 April 2013, £67,000 from 1 April 2014), and various allowances to which they are entitled are borne by the Parliamentary budget. 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.

5.19 Two of the non-executive Board members received remuneration from the Department. Dame Sue John received £4,000 (2013-14: £15,000) and David Meller received £15,000 (2013-14: £12,000) remuneration from the Department.

Benefits-in-kind

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

5.21 During the year one (2013-14: none) of the Board members received benefits-in-kind.

Bonuses

5.22 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 2014-15 relate to the performance in 2013-14 and the comparative bonuses reported for 2013-14 relate to the performance in 2012-13.

Review of fair pay

5.23 Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid employee in their organisation and the median remuneration of the organisation's workforce (employees of arms-length bodies, including ATs, are excluded from this calculation, in line with HMT guidance). Details are summarised in the table below:

	2014-15	2013-14 Restated
Band of highest-paid employee's total remuneration (£000)	160-165	160-165
Median total remuneration	37,729	37,109
Ratio	4.3	4.4

5.24 In 2014-15 no employees (2013-14: no employees) received remuneration in excess of the highest-paid director. Remuneration ranged from £18,000 to £163,000 (2013-14:

£18,000 to £162,000). The figures disclosed in 2013-14 were those of the Department, these have been restated to disclose the Department figure (including EAs and NDPBs).

5.25 Total remuneration for the highest-paid employee includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payment, employer pension contributions and the cash equivalent transfer value of pensions.

5.26 The decrease in the ratio of the highest-paid employee and the median remuneration of the workforce from 4.4 (2013-14) to 4.3 (2014-15) is the result of an increase in median workforce pay.

Pension benefits

Ministers

	Accrued pension at age 65 as at 31/3/15 £000	Real increase in pension at age 65 £000	CETV at 31/3/15 £000	CETV at 31/3/14 £000	Real increase in CETV £000
Secretary of State					
Rt. Hon. Nicky Morgan MP (from 15 July 2014)	0-5	0-2.5	16	8	2
Ministers of State					
Rt. Hon. David Laws MP	0-5	0-2.5	28	17	5
Nick Gibb MP (from 15 July 2014)	0-5	0-2.5	41	32	4
Parliamentary Under Secretaries of State					
Edward Timpson MP	0-5	0-2.5	16	9	3
Sam Gyimah MP (from 15 July 2014)	0-5	0-2.5	6	3	1
Nick Boles MP (from 15 July 2015)	-	-	-	-	-
Lord Nash	-	-	-	-	-

Former Ministers

	Accrued pension at age 65 as at 31/3/15 £000	Real increase in pension at age 65 £000	CETV at 31/3/15 £000	CETV at 31/3/14 £000	Real increase in CETV £000
Former Secretary of State					
Rt. Hon. Michael Gove MP (to 14 July 2014)	5-10	0-2.5	81	74	3
Former Parliamentary Under Secretaries of State					
Elizabeth Truss MP (to 14 July 2014)	0-5	0-2.5	10	8	1
Matthew Hancock MP (to 14 July 2014)	-	-	-	-	-

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

5.28 Nick Boles MP and Matthew Hancock MP served in a joint post with the Department of Business, Innovation and Skills as Minister of State; their remuneration is disclosed by that Department.

5.29 When Lord Nash became Parliamentary Under Secretary of State he did not become a member of the Parliamentary Contributory Pension Fund (PCPF).

Ministerial pensions

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

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

5.32 Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from Ministerial office from age 65. Pensions are re-valued annually in line with the Pensions Increase legislation. From 1 April 2014 members pay contributions of 8.4% and 17.9% depending on their seniority and chosen accrual rate.

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

5.34 In line with reforms to other public service pension schemes, it is intended to reform the Ministerial Pension Scheme in 2015. The new scheme will be a career average pension scheme, have an accrual rate of 1.775%, revaluation based on change in prices, a Normal Pension age equal to State Pension age and a member contribution rate of 11.1%.

Cash equivalent transfer value

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

The real increase in the value of the CETV

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

Civil service pensions

	Accrued pension at pension age as at 31/03/15 and (related lump sum) £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/15 £000	CETV at 31/03/14 £000	Real increase in CETV £000	Employer contribu'n to Partner'p pension account £000
Permanent Secretary Chris Wormald	55-60 (0-5)	2.5-5 (0-2.5)	727	654	34	-
Directors General						
Andrew McCully	50-55 (75-80)	2.5-5 (0-2.5)	850	777	30	-
Shona Dunn (from 1 August 2013)	25-30 (85-90)	5-7.5 (15-17.5)	442	347	66	-
Paul Kissack (from 8 December 2014)	20-25 (65-70)	0-2.5 (2.5-5)	269	252	13	-

	Accrued pension at pension age as at 31/03/15 and (related lump sum) £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/15 £000	CETV at 31/03/14 £000	Real increase in CETV £000	Employer contribu'n to Partner'p pension account £000
Directors						
Simon Judge	40-45 (120-125)	0-2.5 (2.5-5)	807	744	18	-
Tom Shinner (from 1 December 2013)	5-10 (0-5)	2.5-5 (0-2.5)	36	16	8	-
Simon Fryer (from 28 August 2014)	20-25 (65-70)	5-7.5 (15-17.5)	350	261	76	
Chief Executive of the Education Funding Agency						
Peter Lauener	65-70 (205-210)	0-2.5 (2.5-5)	1,611	1,524	12	
(cost borne by the EFA; included in their AR&A)						-
Former Director General						
Tom Jeffery (to 5 December 2014)				1,380		
Former Director						
Janette Durbin (to 5 September 2014)	30-35 (100-105)	0-2.5 (2.5-5)	642	611	25	-

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

5.38 New Career Average pension arrangements 'the alpha scheme' were introduced from 1 April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme[28].

[28] Further details of this new scheme are available at http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/

5.39 Employee contributions are salary–related and range between 1.5% and 6.25% of pensionable earnings for classic and 3.5% and 8.25% for premium, classic plus and nuvos. Pension contribution rates changed from 1 April 2015. Further details about the civil service pension arrangements are available online[29].

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

5.41 The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Chris Wormald 31 March 2016
Accounting Officer

[29] . Further details about the civil service pension arrangements can be found at the website http://www.civilservicepensionscheme.org.uk

Analysis of staff costs, policies and statistics

Staff policies and statistics

Our delivery

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

Our people

Recruitment practice

5.43 The Department has a duty to ensure it is fully compliant with the Civil Service Commissioners' recruitment principles. The Department's approach to recruitment reflects its commitment to equal and fair opportunity for all. All recruitment processes comply with the *Equality Act 2010*.

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

5.45 To support the Cabinet Office protocols for managing surplus staff, priority movers are considered for internal vacancies in isolation and advance of other individuals, as set out in the Department's Vacancy Filling guidance. They also have access to vacancies in other government departments in order to maximise their chances of redeployment. In some instances, where the skills we need cannot be found in the civil service, or the demand cannot be met in full from the civil service, we may advertise externally at stage 4, but only where there is a robust business case which is signed off by a Director-General or Chief Executive.

Sickness absence

5.46 Figures at 31 March 2015 showed that the average number of working days lost through sickness absence across the core Department and Executive Agencies was 5.6 per FTE; a 0.9 day increase from the figures for the year ended March 2014.

Our culture

5.47 Following the publication of the Civil Service Talent Action Plan (TAP) in September 2014 the Department has reviewed its Equality and Diversity Plan to ensure it is aligned with the wider Civil Service Reform Programme. The TAP has a strong focus on women, including measures to improve the recruitment and promotion of talented women, and to provide greater support to ensure those on maternity leave or career break are not disadvantaged when they return to work.

5.48 Further research was commissioned to look at the barriers to progression for other under-represented groups. We plan to refresh the department's Equality and Diversity Plan to take account of the findings and analysis of these reports.

5.49 The Equality and Diversity Plan sets out a number of specific actions that will help us take steps towards:

- Developing a highly capable, diverse workforce that represents the communities we serve;
- Removing barriers and create equal opportunities for all staff to develop their potential;
- Making diversity and equality an integral part of how we manage staff; and
- Embedding equality and diversity within the culture of our organisation.

5.50 The plan focuses on four key objectives:

- Increasing diversity declaration rates;
- Improving line manager capability to manage diverse teams;
- Fostering self-directed networks with visible, top-level leadership; and
- Supporting the development of talented staff from diverse backgrounds.

5.51 Despite recent organisational changes our representation rates have remained relatively stable. The table below shows the percentage change since we began implementing the DfE Review:

		Dec-12	Mar-15	% change
Workforce	Black and minority ethnic	16.5%	17.0%	+0.5%
	Women	59.5%	57.8%	-1.7%
	Disabled	11.0%	12.5%	+1.5%
	LGBT	2.0%	4.6%	+2.6%
SCS	Black and minority ethnic	4.3%	4.3%	0.0%
	Women	48.8%	44.6%	-4.2%
	Women (director and above)	44.8%	42.9%	-1.9%
	Disabled	4.2%	2.9%	-1.3%
	LGBT	3.5%	9.2%	+5.7%

Addressing under-representation

5.52 We have chosen not to set specific targets for representation within our workforce, in line with the overall Civil Service approach. The Department continues to focus on addressing areas where particular groups of staff are under-represented. The numbers in the table below are based on actual headcount at the specified dates. They will not align exactly with headcount data in the accounts, as these are based on full time equivalents (FTEs).

	31-Mar-15		31-Mar-14		31-Mar-13		31-Mar-12	
	%	No:	%	No:	%	No:	%	No:
Women in Senior Civil Service (SCS)	45	60	44	59	49	81	54	**70**
Women in Top	43	20	41	14	43	12	40	**10**

	31-Mar-15		31-Mar-14		31-Mar-13		31-Mar-12	
	%	No:	%	No:	%	No:	%	No:
Management Positions (TMP)								
Black and Minority Ethnic (BME) in SCS	4	<5	6	5	4	<5	4	**5**
Disabled in SCS	3	<5	6	<5	5	5	<4	**<5**
Lesbian, Gay, Bisexual and Transgender in SCS (LGBT)	9	5	7	5	7	6	4	**5**
Women in feeder grades	53	600	53	590	53	632	55	**460**
BME in feeder grades	11	95	12	95	11	96	8	**65**
Disabled staff in feeder grades	10	65	9	55	10	66	6	**50**
LGBT in feeder grades	**4**	**25**	**4**	**25**	**5**	**31**	**4**	**30**

5.53 The Department is making good progress on implementing the actions set out in the Equality and Diversity Plan. Unconscious Bias training is now mandatory for all managers involved in end year performance management validation meetings and on selection panels and we have further improved recruitment by ensuring there are no all-male selection panels or all-male shortlists for SCS posts; there has been active engagement with the staff network groups to create increased networking opportunities for staff from under-represented groups, plans are underway to ensure all Director Generals mentor talented staff from under-represented groups; we have identified SCS role models from diverse backgrounds to champion and participate in network activities and have started a focused campaign to improve declaration rates across the department. We are supporting staff on the Positive Action Pathway Talent Programme and have the highest number of SEO/HEO programme participants of any department.

Engagement with employees

5.54 The Department and Executive Agencies work with our trade unions, both formally and informally, engaging with them to promote an open and constructive relationship. We aim to promote a positive employee relations environment where staff and the trade unions can contribute constructively to our objectives.

5.55 The Department conducts a full people survey annually: the 2014 survey results were published in December 2014. We achieved a 95% response rate, an increase on the 91% response rate for 2012-13. Our engagement index was 58% which represents an increase on last year’s index score of 51%. The information from the survey is being used to support development of the Department’s strategies and continually improve our levels of employee engagement.

Consultancy and temporary staff

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

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

5.58 For the core Department and its Executive Agencies, spend on consultancy requires completion of a business case which is signed off by a senior civil servant. Consultancy engagements below £10,000 are cleared by the Deputy Director with budget/delivery responsibility. Engagements between £10,000 and £20,000 are scrutinised and cleared by the Head of Procurement. For engagements over £20,000, the implications for Finance and HR must also be considered and approved, then signed off by the lead Efficiency Controls Minister. If these cases are also expected to last in excess of 9 months, or are for procurement related consultancy they are additionally scrutinised by Cabinet Office.

5.59 The Department (excluding ATs but including its Executive Agencies and NDPBs) outturn for consultancy expenditure in 2014-15 was £2.0 million, including NDPB costs of £nil (2012-13: £1.5 million, including £3,000 NDPB costs). This expertise was mainly used to support the Academies and Free Schools programmes. Contingent labour expenditure in 2014-15 for the Department was £14.5 million, including NDPB costs of £0.1 million.

5.60 The Department has contracts for the engagement of staff and specialist contractors to cover short term requirements. Situations when resource may be hired include: to cover unexpected absences; short term peaks in workload; short term projects; or a permanent vacancy until the vacancy can be filled. As a result of the spending controls on recruitment introduced in May 2010, any use of contingent labour is subject to the efficiency controls process and requires Ministerial approval for recruitment to SCS equivalent grades, and Director General approval for grades below this. In 2014-15, the Department's outturn, excluding ATs, was £23.8 million (2013-14: £30.4 million).

Review of tax arrangements of public sector appointees

5.61 As part of the *Review of Tax Arrangements of Public Sector Appointees* published by the Chief Secretary to the Treasury on 23 May 2012, departments were directed to publish: 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, between 1 April 2013 and 31 March 2014.

5.62 The tables on the following pages set out this information.

For all off-payroll engagements as of 31 March 2015, for more than £220 per day and that last for longer than six months

	Depart.	EFA	NCTL	STA	OCC	Group (excl. ATs)
Number that have existed for:						
less than one year at time of reporting.	26	59	40	7	1	132
between one and two years at time of reporting.	22	50	5	2	-	79
between two and three years at time of reporting.	7	32	-	7	-	46
between three and four years at time of reporting.	47	5	-	1	-	53
four or more years at time of reporting.		3	-	-	-	3
Engagements as of 31 March 2015	**102**	**149**	**45**	**17**	**1**	**313**

5.63 All existing off-payroll engagements, outlined above, have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

All new off-payroll engagements, or those that reached six months in duration, between 1 April 2014 and 31 March 2015, for more than £220 per day and that last for longer than six months

	Dept.	EFA	NCTL	STA	OCC	Group (excl. ATs)
No. of new engagements, or those that reached six months in duration, between 1 April 2014 and 31 March 2015	**15**	**58**	**43**	**7**	**1**	**123**
Of which:						
No. of the above which include contractual clauses giving the Department the right to request assurance in relation to income tax and National Insurance obligations	15	15	43	7	-	80
No. for whom assurance has been requested	13	15	23	-	-	51
Of which:						
No. for whom assurance has been received	-	15	-	-	-	15
No. for whom assurance has not been received	13	-	23	-	-	36
No. that have been terminated as a result of assurance not being received.	-	-	-	-	-	-

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2014 and 31 March 2015

	Dept. & Agencies	OCC
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	-	-
No. of individuals that have been deemed “board members, and/or, senior officials with significant financial responsibility”, during the financial year. This figure should include both off-payroll and on-payroll engagements.	-	-

Parliamentary accountability report

6. Regularity of expenditure and long-term expenditure trends

6.1 Following the audit of our Group accounts, the following lapses in regularity of expenditure, i.e. within the permitted parameters set out by HMT, have been disclosed:

Control total breaches

6.2 The Group has recognised several control total breaches in 2014-15 primarily related to prior year adjustments stemming from changes to the methodology used to consolidate the Group's academies. Across all budget areas the Group has recognised an excess of outturn compared to Estimate of £3.2 billion; which can be further analysed out across DEL and AME as shown in the table below.

	Resource /Capital	DEL/AME	Excess vote
			£000
Academy capital spend	Capital	DEL	31,228
Academy LGPS and asset movements	Resource	AME	101,366
Prior year adjustments:	Non-budget	-	3,072,871
			3,205,465

6.3 The £101.4 million Resource AME breach includes a £92 million breach, primarily arising from higher than anticipated impairment of academy assets. Following a breach last year, the Estimate was significantly increased for 2014-15, but this is an extremely difficult area to forecast. It has been increased again in the supplementary Estimate.

6.4 The Group also recognised a capital DEL control total breach of £31.2 million. This arose from the expansion of the Group's free school and PSPB programmes and, in particular, the difficulty of forecasting the number and value of donated assets transferring from local authority control to the academy.

6.5 We describe in Note 2 to the Accounts the restatements recognised in 2014-15 which cause prior year adjustments in 2013-14 and 2012-13. The restatements arise from changes in how the consolidation has been performed and/or changes in how assets have been recognised. As budgetary cover was not sought, these restatements have resulted in a £3.1 billion breach of non-budget expenditure

6.6 The most significant aspect of the breach primarily arises from the identification of a suitable robust index to apply to the academies' estate. The Group's accounting policy is to revalue land and building assets every year; externally on initial recognition and every five years thereafter and through the application of an index in the intervening years. The Group were unable to identify a suitable index for land in either 2012-13 or 2013-14.

6.7 During 2014-15 a suitable index was identified and applied in accordance with the Group's accounting policy. Since no indexation had been applied to the assets in 2012-13 and 2013-14 the Group re-calculated land and building carrying values for those two years in accordance with IAS 8. Owing to the size of the academies' estate (more than £30 billion) local small changes due to indexation were magnified to a large multi-billion adjustment.

6.8 We do not expect this issue to recur in the future since we have already identified the index.

6.9 A second driver of the breach arose through the clarification to the recognition policy for the Group's assets under construction. The change in policy resulted in expenditure previously recognised as assets under construction being reclassified as capital grants; we judged that the Group did not have sufficient control to recognise the assets.

6.10 We do not expect this issue to recur in the future following the thorough review of the free school and PSBP programme spends.

6.11 Further discussion of controls around capital projects and regularity is included within the Governance Statement at paragraph 4.105.

Losses and special payments

6.12 Losses and special payments are disclosed within Note 24 to the Accounts.

Long term expenditure trends

6.13 The Department agreed a settlement with HMT for the next four financial years in November 2015, as part of the 2015 Spending Review[30]. Following this settlement and publication of the Department's Single Departmental Plan[31] in February 2016, the Department will agree more detailed spending proposals for individual directorates and key programmes in Spring 2016.

[30] The 2015 Spending Review can be found at: https://www.gov.uk/government/publications/spending-review-and-autumn-statement-2015-documents
[31] The Single Departmental Plan may be found at: https://www.gov.uk/government/publications/department-for-education-single-departmental-plan-2015-to-2020

Annexes

Annex A – Departmental statistics

A1. The Department attendance at Board and committee meetings during the year is listed in the following table.

Attendance at meetings	Departmental Board	Management Committee	Performance Committee	Audit and Risk Committee
Total number of meetings	Meetings attended/Out of possible	Meetings attended/Out of possible	Meetings attended/Out of possible	Meetings attended/Out of possible
Ministers				
Rt. Hon. Nicky Morgan MP	3/3	n/a	n/a	n/a
Rt. Hon. Michael Gove MP	1/1	n/a	n/a	n/a
Rt. Hon. David Laws MP	1/4	n/a	n/a	n/a
Nick Boles MP	3/3	n/a	n/a	n/a
Nick Gibb MP	3/3	n/a	n/a	n/a
Sam Gyimah MP	3/3	n/a	n/a	n/a
Edward Timpson MP	2/4	n/a	n/a	n/a
Lord Nash	4/4	n/a	n/a	n/a
Elizabeth Truss MP	1/1	n/a	n/a	n/a
Matthew Hancock MP	0/1	n/a	n/a	n/a
Non-executive board members				
Sir Theodore Agnew	4/4	9/11	11/11	n/a
Dame Sue John	2/2	n/a	2/3	n/a
Paul Marshall	3/4	2/11	8/11	5/5
David Meller	4/4	n/a	7/11	n/a
Jim O'Neill	3/4	n/a	n/a	n/a
Marion Plant OBE	1/1	n/a	1/1	n/a
Officials				
Chris Wormald	3/4	11/11	10/11	n/a
Tom Jeffery	3/3	7/7	7/7	n/a
Andrew McCully	4/4	10/11	11/11	n/a
Paul Kissack	1/1	4/4	4/4	n/a
Shona Dunn	4/4	11/11	9/11	n/a
Simon Judge	4/4	11/11	10/11	n/a
Tom Shinner	3/4	10/11	9/11	n/a
Janette Durbin	2/2	3/4	n/a	n/a
Peter Lauener	4/4	10/11	9/10	n/a
Simon Fryer	2/2	7/7	n/a	n/a
Sue Baldwin	n/a	n/a	1/1	n/a
Tim Leunig	n/a	n/a	5/5	n/a
Donna Ward	n/a	n/a	6/6	n/a
Independent members				
Janet Eilbeck (Independent Financial Expert)	n/a	n/a	11/11	5/5
Mark Sanders (Chair of EFA Audit Committee)	n/a	n/a	n/a	5/5
Christopher Baker MBE (Independent Financial Expert)	n/a	n/a	n/a	4/5

Fire, health and safety

A2. The Department is committed to operating a best practice yet proportionate fire, health and safety management system, recognising its importance for enabling an efficient organisation, by minimising unnecessary losses and liabilities.

A3. During 2014-15, the Department has:

- strengthened its statutory compliance and Occupational Health and Safety management reporting tools enabling even more robust management of high risk areas;
- acted as a key stakeholder for Civil Service Learning assisting the whole civil service in areas including Fire Safety, Risk Assessment Manual Handling and First Aid;
- continued to reduce fire, health and safety risks associated with Departmental business activities; and
- continued consultation on fire, health and safety issues with the Departmental Trade Union Side.

A4. The Department's reportable accident rate was 25 per 100,000 employees, which remains significantly lower than the Public Service average for 2013-14 (latest available figures).

Personal data security

A5. All departments are required to report personal data related incidents that have occurred during the financial year in accordance with the standard disclosure format issued by the Cabinet Office.

A6. A 'personal data related incident' is defined as a loss, unauthorised disclosure or insecure disposal of protected personal data. 'Protected personal data' is data which the Department or its delivery partner hold whose release or loss could cause harm or distress to individuals, including as a minimum:

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

A7. Protected personal data related incidents formally reported to the Information Commissioner's Office in 2014-15 are summarised in the table below:

Summary of protected personal data related incidents formally reported to the information commissioner's office in 2014-15

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
Jan 2015	Unauthorised disclosure (*i.e. disclosure as a result of software or systems failure*)	Personal data of pupils (including some sensitive personal data as defined in Section 2 of the *Data Protection Act 1998*) included in error in file sent to local authorities and their management information service providers.	4,190	Reported to ICO. Affected schools notified.
Further action on information risk		Potential impact minimised by contacting the recipients (an expert community with suitable data handling protocols for working with pupil data and its sensitivities) and instructing them to delete the file. Relevant business process was suspended while a full security review was undertaken and lessons learned applied.		

A8. Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the *Freedom of Information Act 2000* or may be subject to the limitations of other UK information legislation.

A9. Protected personal data related incidents reported in 2014-15 are summarised in the table below. Incidents which do not fall within the criteria for reporting to the Information Commissioner's Office, but are recorded centrally within the Department, are included. Smaller, localised incidents are not included:

Category	Nature of incident	Total*
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	1
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	12
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	None
IV	Unauthorised disclosure	1
V	Other	None

A10. The information contained in the table above only relates to personal data security for the Department and its executive agencies. The Department's NDPBs will report personal data related incidents in their own statutory AR&As.

Departmental correspondence

A11. All government departments and agencies have published targets for answering correspondence. The Cabinet Office 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 all correspondence within 15 working days.

A12. In 2014-15, 85% of replies were sent within the 15 working day deadline. This is one percentage point higher than our performance in 2013-14. It was made up of: 11,154 Ministerial replies of which 7,885 (71%) were sent within the Departmental target; and 31,966 'Treat Officially' replies, sent by officials rather than Ministers, of which 28,671 (90%) were within the Departmental target.

A13. A new electronic correspondence management system was introduced at the end of 2014. A programme of work to improve all Department of State activities, including correspondence, underpinned by the principles of continuous improvement, has resulted in significant changes to organisational structures and the way we work. We expect to see continuing improvements in the coming months and years.

A14. For Freedom of Information requests (FOIs), where the deadline is 20 working days: 86% of 1,969 FOIs were answered within deadline, compared with 83% of 1,790 FOIs in 2013-14.

Communications, publicity and advertising

A15. In 2014-15 the DfE Communications Group continued to deliver highly effective news and social media, speeches, publications and campaigns activity in support of Ministerial priorities and the wider government communications plan.

A16. The Department's high-profile campaigns have included 'Start Your Adoption Story', which aimed to increase the number of potential adoptive parents. We have launched 'Your Life' to encourage young people to think about choosing science, technology, engineering and maths (STEM) subjects. We have communicated widely about the policy to introduce universal infant free school meals, reforms for young people with SEND, and a targeted campaign to encourage more parents to take up the offer of free childcare for two-year-olds. We also launched the Workload Challenge, consulting the teaching profession about their priorities for reducing bureaucracy in the classroom.

A17. We also provided a communications service for the Government Equalities Office. This included publishing a guide for parents on how to help their daughters make career and education choices, promoting government funding to help women set up their own business and launching a new anti-homophobic bullying fund.

A18. As well as being effective, we have also continued to focus on efficiency. Most communications were delivered in-house at no additional cost, or at low cost by supporting and coordinating partners' activity. Where paid-for campaigns were essential we have worked with Cabinet Office colleagues to reduce costs and secure approval through the Efficiency Reform Group process.

A19. With 43 full-time equivalent staff in post on 31 March 2015, the Communications Group spent £635,000 on centrally coordinated activity. Whilst this was an increase on the previous year's expenditure (we spent around £500,000 in 2013-14), overall communications spending was still well below the figures reported in previous years (£1 million in 2012-13 and £12 million in 2011-12).

Payments policy

A20. The Department is legally required to pay correctly submitted invoices within 30 days of receipt from the day of physical or electronic arrival at the nominated address of the Department. In addition, it is practice for the Department to pay all correctly submitted invoices within 10 calendar days.

A21. During 2014-15, for the Department and Executive Agencies, of all valid invoices received from suppliers*:

- 99.1% (2012-13: 98.4%) were paid within 30 calendar days of receipt; and
- 97.5% (2012-13: 94.0%) were paid within 10 calendar days of receipt.

* EFA figures do not differentiate between valid and invalid invoices; all received invoices are included in the statistics.

A22. The aggregate amount owed to trade creditors at 31 March 2015 compared with the total annual expenditure of the core Department and Executive Agencies (excluding staff costs), expressed as the number of days in proportion to the total number of days in the financial year, is 0.16 days (2013-14: 0.09 days).

A23. For the Department, the proportion of valid invoices paid within 5 calendar days was 93.7%.

Complaints policy

A24. The Department's complaint policy and guidance on how to make a complaint can be found at: published[32].

A25. Guidance[33] on how to complain about a maintained school, Academy or Free School and how the Department will consider your complaint is also published.

Complaints to the Parliamentary Ombudsman

A26. The Parliamentary and Health Service Ombudsman can look into complaints about a service provided by the NHS or a government department, agency or other organisation acting on their behalf providing that the body falls within its jurisdiction and that it has been referred to the Ombudsman by a Member of Parliament.

[32] The Department's complaint policy is published at: https://www.gov.uk/government/organisations/department-for-education/about/complaints-procedure
[33] Guidance for complaining about schools can be found at: https://www.gov.uk/complain-about-school

A27. The Department, its EAs and its NDPBs are included within the Ombudsman's jurisdiction, but few cases arise and few are taken to a full investigation. Partly, this is because cases which relate to local authorities and schools (where most of the services are delivered to the public) are outside the jurisdiction of the Parliamentary and Health Service Ombudsman.

Annex B – Environmental, social and community issues

Better regulation

B1. A portfolio of measures strengthened the Department's deregulatory approach in the private, voluntary and independent sectors, consistent with the government's focus on reducing the overall burden of regulation. Some key measures are set out below.

'One in, two out'

B2. Between 1 January and 31 December 2014 the Department made regulatory savings with Equivalent Annual Net Costs to Business of £0.3 million per annum, but also introduced measures which increased the cost of compliance with regulation by £2.8 million. These measures were set out in the Seventh and the Eighth Statements of New Regulation[34] (in which departments list all new regulations that they have developed which will be coming into force). They were designed to improve safeguards for children in residential care, revise regulations which form the basis of Ofsted inspection of children's social care, bar unsuitable individuals from occupying management positions in independent schools, and provide acoustic performance standards for schools.

B3. Under the One-in, Two-out (OITO) arrangements, the Department had to reduce the cost of compliance with its regulations by twice the amount of the compliance costs it introduced. At the end of the period covered by the eighth statement, the department's running balance since the introduction of OITO on 1 January 2013 was a deficit of £2.77 million.

Impact assessments

B4. The Department submitted 17 Impact and Regulatory Triage Assessments to the Regulatory Policy Committee (RPC) for an opinion between January and December 2014, of which 14 (82%) were rated as being 'fit for purpose' at first submission. The Impact Assessments which the RPC opinion rated as not fit for purpose were resubmitted and were then given fit-for-purpose ratings.

Micro-business moratorium

B5. The 10 regulatory measures coming into force during the period January to December 2014 were exempt from the Micro-business Moratorium. Nine were either deregulatory, zero net cost or out of scope of OITO. The tenth measure, which related to acoustic performance standards for schools, came into force after the end of the three-year micro-business moratorium (31 March 2014).

[34] The New regulation website can be found at: https://www.gov.uk/government/collections/dfe-statements-of-new-regulation

Sunsetting regulations

B6. All new regulations that have a significant impact on the business sector must include a clause allowing for their review at five years and/or removal at seven years after coming into force, unless a case is made for their retention. The Department has no regulations in scope at this time.

The Red Tape Challenge (RTC)

B7. The Red Tape Challenge is a cross-government initiative covering the private, voluntary and civil society sectors. Its objective is to minimise the regulatory burden by improving or scrapping as many relevant regulations as possible. The 108 departmental regulations in the Children's Services and Independent Schools theme were published on the RTC website in 2011. Since then the department has continued to review these regulations, with the aim of streamlining their requirements to make them less burdensome on the sector, and to make them more easily understood. For example, special educational needs (SEN) measures were improved and simplified as a result of reforms included in the *Children and Families Act 2014*. We consulted on new SEN regulations[35] attached to the Act which came into effect on 1 September 2014.

Alternatives to regulation

B8. Following the 2012 Analytical Review commissioned by the Secretary of State, the department developed five policy tests as a framework for improving policy making. The tests are jargon free, direct and challenging. In questioning the purpose, role, evidence, creativity and delivery of the policy, they help teams to consider alternative approaches, tools and methods. We have introduced a high-calibre fellowship of policy experts from a range of sectors who work with policy-makers to inject fresh skills, external expertise and innovative thinking into the department's policy making and delivery challenges.

Introduction

B9. The Department is fully committed to sustainable development and promotes and supports sustainability within schools, whilst allowing schools the freedom to apply sustainable development practices how they choose across school sites and throughout curriculum. This is supported by adopting as far as practicable best environmental, social and economic sustainability to benefit current and future generations.

B10. This is the fifth year that the Department has reported non-financial and financial indicators of its sustainability performance in its AR&A, following the HMT guidance, *Public Sector Sustainability Reporting*[36].

[35] The Department's SEN regulations can be found at: http://www.legislation.gov.uk/uksi/2014/1530/introduction/made
[36] HMT publish the *Public Sector Sustainability Report* here: https://www.gov.uk/government/publications/public-sector-annual-reports-sustainability-reporting-guidance-2014-to-2015

Scope

B11. The Department is reporting a full data set including its executive agencies and NDPBs. Sustainability data and delivery plans are also reported quarterly to Defra and the Cabinet Office. The report is aligned to the department's Greening Government Commitments (GGC) reporting.

B12. The Department has voluntarily reported the impact of its international business travel since 2012-13 to ensure greater transparency and to support the central Government requirement to offset emissions from Ministerial and official air travel.

B13. The Department's sustainability priorities set out in its 2012-15 Business Plan outline how sustainable development for education will empower schools to take a long term approach to pupils, their communities and the environment. The Department will contribute to this by committing to:

- assess and manage environmental social and economic impacts and opportunities in its policy development and decision making.
- implement the department's plan to deliver on the Greening Government Commitments, supplying quarterly information and contributing to an annual report on progress.
- procure from small businesses with the aspiration that 25% of contracts should be awarded to SMEs.

Sustainable operations strategy

B14. The Department's overarching sustainable operations strategy is to reduce the total size of its estate in line with the Cabinet Office National Property Controls[37], thereby reducing overall utilities consumption and travel, and focusing on operating its remaining buildings even more efficiently. In working towards exceeding all of the Greening Government Commitments, during 2014-15 the Department has focused on areas which were proving more difficult to meet such as the office water benchmarks and harder to influence areas such as domestic air travel. Where increases were reported, targeted communications and awareness campaigns were undertaken to inform staff of alternatives to flying such as video-conferencing and tele-conferencing for meetings, or alternative travel modes where feasible to reduce environmental impacts.

B15. The Department monitors all aspects of its business and is keen to ensure environmental responsibility in all areas of its supply chain and its wider sphere of influence. As part of the Department's wider strategy and in addition to the Greening Government

[37] The National Property Controls (NPCs) require that (unless retention is operationally essential) departments will not acquire additional office accommodation; will exercise office lease break clauses at the earliest possible opportunity; and will surrender or otherwise dispose of office leases at expiry.

Commitments, it also reports on responsible timber procurement, Closed Loop recycling[38], carbon offsetting, the Carbon Reduction Commitment Energy Efficiency Scheme, sustainable food procurement including Fair Trade, and ICT re-use and disposal. Specific mandatory requirements are embedded into framework contracts to help support sound governance in this respect.

B16. The Department has also issued guidance on embedding sustainability at individual building level within Building User Guides and within facilities management processes and procedures.

Targets and summary of 2014-15 performance

B17. The Department has met all the Greening Government Commitments targets, demonstrating considerable reductions against greenhouse gas emissions, waste and water as well as reducing associated financial costs. The overall performance is set out in the tables below. The department continues to strive towards further improving its performance and achieving even greater efficiencies during 2015-16.

B18. Sustainable operations delivery plans and targets are fully aligned to the Greening Government Commitment targets, and where quantified targets are not specified, the Department has defined this through aspirational targets, including total estate water reduction and recycling rate targets.

B19. The Department not only focuses on the Greening Government Commitment targets but also wider and longer term targets such as the Energy Efficiency Directive articles 5 & 6 2020 targets, Kyoto Protocol Agreement and the *Climate Change Act*. Equally, the department's forward strategies, and sustainability audits and surveys consider both long and short term opportunities.

B20. In order to monitor performance throughout the reporting period, the department undertakes performance improvement and measurement checks across each of its sites at regular intervals. A *Building Assurance Framework* document, statutory compliance checks and key performance indicators assessments are made to ensure that the data reported is accurate and that correct processes are adhered to on a site by site basis.

[38] Closed Loop system involves recycling confidential and non-confidential waste paper, and that very same paper, having been recycled, is supplied back to the department at a lower cost than standard recycled paper supplies.

Non-financial 2014-15 performance against key GGC 2015 targets, measured against 2009-10 baseline

	Reduce GHG (scope 1, 2 & 3 gross) Emissions by 25%	Reduce Total Estate Water Consumption by 25%	Reduce Total Waste Generation by 25%	Achieve Recycling Rate of 85%
Performance (2014-15 measured against 2009-10)	(43%)	(34%)	(62%)	66%
Pan-government performance (2014-15 measured against 2009-10)	(22%)	(11%)	(22%)	N/A

B21. The Department has made considerable financial savings following reductions in energy, water, UK business travel and waste disposal despite an increase in real costs. Expenditure has been reduced by £2 million in 2014-15 compared to 2009-10 levels, the largest saving from energy consumption and from UK business travel amounting to £1.7 million and £141,000 respectively.

B22. This financial information is derived from utility bills, waste disposal invoices, and travel costs combine staff travel claims and invoices from the Department's contracted travel service providers.

Direct financial benefits of the Department's Greening Government programme

	Energy £000	UK Business Travel £000	Waste Disposal £000	Water Use £000	Total £000
2014-15 cost vs. 2009-10	(1,698)	(141)	(51)	(120)	(2,009)

Greenhouse gas emissions

B23. The Department's targets for Greenhouse Gas (GHG) emissions:

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

B24. The Department has continued to reduce its total in-scope gross GHG emissions through 2014-15, achieving a total 43% reduction since the 2009-10 baseline year. The department was also successful in meeting the previous administration's Sustainable Operations on the Government Estate targets.

B25. In line with Defra guidance, the Department's greenhouse gas emissions data is not weather corrected.

Estate emissions

B26. The most significant aspects of the Department's GHG emissions are from electricity use, particularly ICT, and gas boilers, delivery plans have focussed on these areas.

B27. The Department has continued to reduce its energy bill and since 2009-10 has achieved savings of c. £1.7 million. Emissions reductions from energy use have largely been realised through low and no cost energy efficiency measures, estate rationalisation (by using space more efficiently, sub-letting vacant space and co-locating with other organisations), and by operating its remaining buildings even more efficiently.

B28. Despite the Department successfully exceeding the greenhouse gas emissions target, it is committed to continual improvement. Delivery plans are regularly reviewed to identify further opportunities for cost-effective reductions. This helps ensure that the Department's own operational emissions remain on track for meeting the targets set out in the *Climate Change Act*.

B29. The Department's electricity is purchased via the Crown Commercial Service energy framework from renewable sources, and is therefore Climate Change Levy exempt.

B30. The Department continues to participate in the Carbon Reduction Commitment Energy Efficiency Scheme to help improve energy efficiency and to cut emissions across the UK.

Greenhouse gas emissions summary

		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Non-financial indicators (tonnes CO_2e)	Total gross emissions for Scopes 1	3,606	2,115	1,717	1,934	1,729	978
	Total gross emissions for Scope 2	13,947	12,579	11,546	9,065	8,235	7,750
	Total gross emissions attributable to Scope 3	4,759	3,840	2,941	4,530	4,062	4,094
	Total gross emissions Scopes 1, 2 & 3	22,313	18,534	16,203	15,530	14,027	12,821
	Number of domestic air travel flights	727	818	370	507	424	581
Related energy consumption (MWh)	Electricity: non-renewable	29,103	25,451	23,360	19,704	5,027	347
	Electricity: renewable	-	5	20	16	13,300	15,171
	Gas	16,503	11,433	9,281	10,389	8,947	5,285
	Steam	2,334	934	402	279	363	369
Financial Indicators (£000)	Expenditure on energy	3,594	2,604	2,704	2,492	2,206	1,896
	CRC licence expenditure (2010 onwards)	n/a	-	-	80	95	107
	Expenditure on accredited	-	-	-	0.8	0.1	-

		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	offsets (e.g. GCOF).						
	Total expenditure on official UK business travel	10,163	7,298	7,137	6,884	8,949	10,022
	Expenditure on domestic air travel	21	29	8	19	38	68

Domestic business travel

	Domestic travel mode	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Non-financial indicators (tonnes CO_2e)	Car	2,873	2,127	1,375	2,609	2,249	2,041
	Rail	660	547	493	1,127	1,058	1,308
	Taxi	29	25	13	11	13	13
	Other (bus, tube, trams)	9	1	-	5	7	12
	Domestic flights	84	41	49	61	33	44
		3,655	**2,740**	**1,931**	**3,814**	**3,360**	**3,419**

B31. The Department is committed to reducing the amount of business travel undertaken and has focused efforts on encouraging staff to, where possible, use information communication technology (ICT) for meetings as an alternative to travel to help achieve financial, environmental and time efficiencies for both staff and the Department.

B32. When travel is necessary staff are encouraged to choose the most sustainable mode of transport available. This has helped achieve a 6.5% reduction in domestic travel related emissions since 2009-10, and helped realise significant financial savings through a modal shift to more sustainable transportation

B33. The number of domestic flights has reduced by 20% for 2014-15 against 2009-10; and can be attributed to a clear authorisation process being in place across the Department's NDPBs and Executive Agencies for domestic flight travel.

B34. Tighter spending controls have also influenced general travel activity: continued focus on achieving value for money in all aspects of business delivery has positively impacted this area.

B35. It is recognised that business needs frequently demand travelling, including by plane. For all unavoidable departmental air and rail travel (including international travel), the associated emissions are offset via the Government Carbon Offsetting Facility.

International business travel

		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Non-financial indicators (tonnes CO_2e)	Flights	184	85	139	126	445	477
	Rail	0.4	0.4	0.8	0.6	0.01	0.5
Financial indicators (£000)	Flights	64	30	84	129	234	388
	Rail	5	5	15	11	0.3	10

Waste management

B36. The Department's targets for waste management:

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

B37. In terms of an overarching waste management strategy, the Department follows the waste hierarchy by focusing on reducing the generation of waste in the first place before considering how to reuse or recycle its waste. By adopting this approach, waste has been reduced by 62% since 2009-10. As part of this, the Department adheres to a policy of redeploying unwanted or redundant ICT equipment wherever possible to avoid disposal, and encourages reuse of equipment. Where redeployment is not possible, equipment is recycled.

B38. The Department has set itself a target to achieve an internal recycling rate of 85%, and is currently achieving a 66% recycling rate including reused, recycled and composted materials.

B39. The Department works closely with its facilities management provider to actively manage all aspects of the Department's office waste including provision of recycling facilities, data analysis and improving staff awareness.

B40. Paper procurement has been reduced by 26% compared with 2009-10, largely due to spend controls and better print facilities (including 'print on collection' settings).

Waste disposal summary

Waste			2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Non-financial indicators (tonnes)	Total waste		2,080	2,996	2,109	1,102	689	782
	Hazardous waste	Total	51	25	40	NK	NK	0
	Non-hazardous waste*	Landfill	321	211	229	231	169	164
		Total reused/ recycled	1,646	2,697	1,779	627	452	519
		Composted /Bio digestion	-	-	-	25	16	24
	Total ICT waste	Reused				56	20	8
		Recycled	9	13	19	24	1	14
	* Report if possible	Incinerated/ energy from waste	66	37	27	140	32	76
		Incinerated without energy recovery	18	13	14	-	-	-
	Paper Procured [3]	Total Reams	69,014	61,605	39,712	53,356	63,690	51,252
Financial indicators (£000)	Total disposal cost		149	117	124	211	175	98
	Non-hazardous waste - Total disposal cost	Landfill	56	28	38	unknown	unknown	unknown
		Reused/ Recycled	84	83	81	unknown	unknown	unknown
		Composted	unknown	unknown	unknown	unknown	unknown	unknown
		Incinerated/ energy from waste	7	5	4	unknown	unknown	unknown
	Paper Procured	Total Spend	107	121	78	128	134	101

Finite resource consumption – Water

B41. Water efficiency targets include an internal target to reduce total consumption by 25% by 2015 from a 2009-10 baseline, and to report on office water use against the following GGC benchmarks:

- ≥6 m^3 water consumption per FTE poor practice;
- $4m^3$ to $6m^3$ per FTE good practice;
- ≤$4m^3$ per FTE best practice; and
- percentage of offices meeting the best/good/poor practice benchmark.

[3] Paper procurement 2009-10 baseline amended along with subsequent years to reflect incorporation of Ofsted and CAFCASS.

Water consumption summary

			2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Non-financial indicators (m^3)	Water consum'n	Office estate	77,928	75,233	61,969	56,967	45,527	43,165
		Office estate per FTE per annum	7.6	7.5	8.2	7.7	5.8	7.7
		Whole estate	91,225	82,469	68,927	63,745	52,218	59,915
Financial indicators (£000)	Water supply & sewage costs		231	249	218	181	124	111

Annual percentage of offices meeting benchmarks

	2009-10 Performance	2014-15 Performance
≥6m^3 water consumption per FTE - poor practice	61%	28.36%
4m^3 to 6m^3 per FTE - good practice	28%	22.39%
≤4m^3 per FTE - best practice	11%	49.25%

B42. The majority of water use across the Department occurs from building services processes (heating, ventilation, air conditioning systems) and from washroom facilities, restaurants and tea points.

B43. Since 2009-10, the Department has reduced its estate-wide water use by 34%, and by 44% from its office estate; this equates to a consumption figure of 7.7 per FTE per annum.

B44. Offices falling within best practice have continued to improve with best practice performance for 2014-15 now at 49% compared to 11% in 2009-10. Good practice performance is currently at 22%. Offices falling within poor practice have reduced from 61% in 2009-10 to 28% for the 2014-15 period.

B45. Water reductions have been achieved through leak reduction and repair work, refining operational processes from plant and equipment such as cooling systems, fitting more efficient devices such as tap aerators, and encouraging more sustainable water use with particular attention paid to ensuring facilities and cleaning staff are appropriately trained and informed about the need to minimise water use.

B46. The Department is keen to further increase the number of its own office buildings falling within good and best practice benchmarks, and recognises further work is required to achieve this; a programme of comprehensive site audits is planned to identify additional options.

Sustainable procurement

B47. Extensive sustainability clauses are embedded within the Departmental facilities management and ICT contracts to ensure that the services and goods are aligned to sustainability criteria. New contracts require that suppliers meet the Government Buying Standards.

B48. The Department uses the Supplier Intelligence Database for Government (SID4Gov) tool to report on its supply chain impacts. The tool allows the department to engage with suppliers, identify hot spots and potential risk areas in its supply chain and put processes in place to begin to address them. The tool supports the on-going work the Department has undertaken with key suppliers to improve and publish data on its supply chain impacts – setting detailed baselines for reducing these impacts.

B49. The Department continues to exceed the 25% aspirational target to procure goods and services from small, medium enterprises. For 2014-15, the final total that the Department spent directly with small, medium enterprise organisations amounts to 30.2%.

Transparency commitments

B50. The Department also reports against a number of transparency commitments as part of GGC. Progress is summarised in the table below.

Transparency commitments and associated actions taken by the Department

Climate change adaptation (CCA): steps taken to adapt the estate to a changing climate	Sites located within flood risk areas are all registered with the Environment Agency for flood warnings in the event of any risk of flooding
	Sustainable operations policies include considering CCA in decision making – reviewed in response to Greening Government Commitments
	Robust business continuity plans are in place to manage occurrences of extreme weather events.
	Climate resilient designs are incorporated in retrofit projects and new builds: rain water harvesting, green roof, heat recovery heating and ventilation systems
	Participation in annual Carbon Offsetting auctions to offset against the Department's required travel
	Support and involvement in environmental campaigns
	Feed-in to a cross-government National Adaption Plan published every 5 years (published July 2013). The plan sets out how the risks of future extreme weather events will be managed in relation to communities, built environment, businesses and local Government
Biodiversity and natural environment: including action taken to promote, conserve and enhance biodiversity, including use of Biodiversity Action Plans or equivalent and the management of Sites of Special Scientific Interest	Sustainability toolkits have been developed for recording information related to project work and to assess the sustainable impacts of any given piece of work. These toolkits form a fundamental part of any project start up and completion.
	The Department's Manchester and Nottingham sites have a green sedum roof which provide insulation, reduce heat emissions, reduce noise, and provides an array of ecological benefits.
	A number of sites conserve and reuse grey water, collected from their roofs and used to flush toilets.
	The Department operates within a closed loop recycling system which effectively means we recycle and reuse

	our own paper products reducing the need for use of natural resources, energy and water consumption, and in CO2 emissions, and reducing the requirement to use virgin materials for paper products. All furniture available from previous office closures has been redeployed rather than sent to landfill, thus avoiding production and purchase of new furniture by others. The Department has submitted a case study to Central Point of Expertise on Timber to provide information on how the department sustainably and cost effectively disposed of surplus or obsolete assets, comprising mainly of furniture on sites ear marked for closure or relocation. ***https://www.gov.uk/government/timber***
Procurement of food and catering services: including action taken within the context of overarching priorities of value for money and streamlining procurement, to encourage the procurement of food that meets British or equivalent production standards where this does not lead to an overall increase in costs; and to reduce the environmental impacts of food and catering services and support a healthy balanced diet	All food supplied is produced to UK or equivalent standards. All dairy products are Farm Assured and from UK sources. All shell eggs are Lion Branded and are sourced from enriched conventional cages as a minimum. British Farm Assured Red Tractor Accredited fresh meat and poultry. The Red Tractor range includes 39 individual fresh meat and poultry products and covers food safety, animal welfare, environmental protection, food origin, traceability and is an independent scheme. Menus are designed to reflect in-season produce and purchased locally where feasible to do so. All fish is Marine Stewardship Council eco-labelled. Over 50% of tea and coffee is either Rainforest Alliance or Fairtrade sourced or part of an ethical trade initiative. Coffee supplied by DCLG's contractors is UTZ certified; a program and label for sustainable farming. Produce locally sourced where possible to reduce food miles and to assist in supporting our local suppliers. Food standards maintained through service level agreements and key performance indicators.
Sustainable construction: including the management of construction waste to best practice standards, the application of BRE's Environmental Assessment Methodology	The Department has developed a project sustainability toolkit which will be applied to all projects moving forward to ensure sustainability is integrated from the start. The toolkit will ensure any new build or major refurbishment valued over £500,000 meets Building Research Establishment Environment Assessment Method (BREEAM) ratings of 'excellent' for new builds and 'very good' for major refurbishments. Where minor refurbishment work has been carried out complete Site Waste Management Plans are produced to detail all waste removed and recycled.

	The Department has moved its Darlington site to the city centre. The new public service hub offers the best combination of facilities, location and value for money. The site received a BREEAM 'excellent' rating achieving a score of 71%
People: including for example, reporting on social and environmental assessment of office re-locations, and action taken to promote staff wellbeing	Sustainability Impact Assessments are undertaken to establish the benefits of major office relocations. The Department encourages all staff to complete an annual staff survey to gauge an understanding of staff wellbeing and morale, the survey results are internally published and senior management use the information to implement changes where it is highlighted improvements could be made. The Department encourages its employees to volunteer for up to five working days a year, and to undertake five days of learning and development each year.
Environmental management system (EMS): information on whether they have implemented an EMS such as ISO14001, EMAS or BS8555. This can include information on whether an accredited certified EMS has been applied to the whole estate, or in selected buildings only, or plans for obtaining a certified EMS in the future.	The Department operates an EMS modelled on ISO14001:2004.

Governance

B51. The Department undertakes a stringent monitoring regime in relation to Greening Government Commitments performance management. Monthly data reports are produced which feed in to quarterly dashboards. The dashboards are a mechanism for highlighting achievements, reporting on overall progress, identifying risks and outlining proposed mitigation measures.

B52. To ensure the data submitted and used for internal and external reporting is both accurate and consistent, an internal governance and assurance process requires thorough checks and validation audits of all data and reports are undertaken. This is supplemented by periodic audits conducted by the Government Internal Audit Agency, reported to the Accounting Officer via the Departmental finance function.

B53. 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 Greening Government Commitments returns. These external validation audits are carried out on Defra's behalf by Carbon Smart, who has praised the department's good practice in data management.

B54. 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.

Annex C – Data tables

C1. The tables below and on the following pages provide an analysis of Departmental expenditure in resource terms, showing resource consumption and capital investment. These tables reflect the priorities set out in the Department's Business Plan and are included in accordance with HMT's guidance contained in PES (2013) 17.

C2. Tables 1 and 2 headings are based on the functions as set out in the Supply Estimate functions.

C3. Table 1 Total Departmental Spending – summarises expenditure on functions administered by the Department covering the period from 2010-11 to 2014-15, with future projections up to 2015-16. It is analysed in the same way as the Departmental Supply Estimates.

C4. Table 2: Estimates to Outturn - is complementary to Table 1 and shows 2014-15 Outturn figures against the original and final budgetary control totals.

C5. Table 3: Capital Employed - shows capital employed by the Department and also the net capital employed by its partner organisations to give a total figure for capital employed by the Group. The figures are taken from and follow the format of the Statement of Financial Position.

C6. Table 4: Administration Costs – provides a more detailed analysis of the administration costs of the Group.

C7. Table 5: Staff in Post – shows the staff numbers employed by the Group, analysed between the Department, its EAs and its NDPBs.

C8. Tables 6, 7 and 8 show analyses of expenditure by country and region.

Table 1: Total Departmental spending

	2009-10 Outturn £000	2010-11 Outturn £000	2011-12 Outturn £000	2012-13 Outturn £000	2013-14 Restated Outturn £000	2014-15 Outturn £000	2015-16 Plans £000
Resource DEL							
Activities to Support all Functions	302,644	248,667	256,319	331,308	273,565	249,276	246,740
School Infrastructure and Funding of Education (Department)	5,240,173	3,405,476	673,826	227,585	128,050	102,749	161,038
Education Standards, Curriculum and Qualifications (Department)	552,519	391,888	218,753	901,267	174,017	136,086	160,026
Education Standards, Curriculum and Qualifications (NDPB) (Net)	262,648	185,704	43,498	-	-	-	-
Children's Services and Departmental Strategy (Department)	2,218,069	131,069	362,910	647,445	282,387	351,145	331,919
Children's Services and Departmental Strategy (NDPB) (Net)	3,624	3,535	3,038	3,236	2,046	2,756	25,013
Standards and Testing Agency	-	-	14,699	35,269	42,270	43,250	51,253
National College for Teaching and Leadership	1,009,990	976,049	763,291	524,701	397,062	313,128	411,449
Education Funding Agency - Excluding Academies	39,683,106	43,016,640	41,683,563	37,931,203	37,951,522	37,664,442	36,790,860
Academies (Net)	-	2,008,557	6,118,241	10,189,439	12,619,302	14,749,632	16,378,492
Total resource DEL	**49,272,773**	**50,367,585**	**50,138,138**	**50,791,453**	**51,870,221**	**53,612,464**	**54,556,790**
Of which:							
Staff costs	287,066	292,656	264,571	8,184,400	9,937,047	11,635,243	11,267,216
Purchase of goods and services	1,177,459	686,232	419,802	2,861,961	3,549,511	4,105,223	4,635,218
Income from sales of goods and services	(27,207)	(6,470)	(6,143)	(380,643)	(500,895)	(600,599)	(1,339)
Current grants to local government (net)	37,625,186	40,587,358	36,910,202	34,165,868	32,721,663	32,376,660	32,072,992
Current grants to persons and non-profit bodies (net)	3,095,434	8,080,804	11,608,279	4,899,607	4,570,904	4,397,035	4,595,163
Rentals	(6,531)	9,604	13,847	35,412	101,844	140,395	9,595
Depreciation[1]	25,604	33,587	31,085	830,588	984,695	994,858	1,227,956
Other resource	7,095,762	683,814	896,495	194,260	505,452	563,649	749,989
Resource AME							
Activities to Support all Functions (Department)	(22,544)	13,558	75,549	63,627	(9,823)	(5,289)	3,888
Activities to Support all Functions (NDPB)	(7,630)	(29,905)	(2,162)	(2,189)	(1,075)	-	-
Executive Agencies	11	(3,628)	-	(3,601)	(799)	8,080	270
Academies (Net)	-	-	-	119,734	412,558	748,788	1,175,500
Total resource AME	**(30,163)**	**(19,975)**	**73,387**	**177,571**	**400,861**	**751,579**	**1,179,118**
Of which:							
Staff costs	6,380	1,922	7,656	120,363	355,093	593,797	939,946
Depreciation[1]	344	2,969	1,028	4,254	65,049	165,278	240,000
Take up of provisions	23,389	17,390	97,465	102,346	17,006	20,359	38,626
Release of provision	(60,276)	(42,253)	(32,762)	(49,392)	(36,287)	(27,855)	(39,454)
Other resource	-	(3)	-	-	-	-	-
Total Resource Budget	**49,242,610**	**50,347,610**	**50,211,525**	**50,969,024**	**52,271,082**	**54,364,043**	**55,735,908**
Of which:							
Depreciation[1]	25,948	36,556	32,113	834,842	1,049,744	1,160,136	1,467,956

Table 1: Total Departmental spending (continued)

	2009-10 Outturn £000	2010-11 Outturn £000	2011-12 Outturn £000	2012-13 Outturn £000	2013-14 Restated Outturn £000	2014-15 Outturn £000	2015-16 Plans £000
Capital DEL							
Activities to Support all Functions	60,198	23,895	13,155	(5,260)	2,381	8,579	20,847
School Infrastructure and Funding of Education (Department)	615,139	375,239	55,038	(10,643)	(4,956)	1,773	2,500
Education Standards, Curriculum and Qualifications (Department)	-	-	-	10,000	-	-	-
Education Standards, Curriculum and Qualifications (NDPB) (Net)	58,395	99,532	28	-	-	-	-
Children's Services and Departmental Strategy (Department)	606,905	673,569	138,884	39,731	(28)	-	-
Children's Services and Departmental Strategy (NDPB) (Net)	-	-	44	(1,173)	44	43	387
Supported Borrowing (NDPB)	942,702	538,605	-	-	-	-	-
National College for Teaching and Leadership	1,038	2,182	1,580	454	-	(73)	-
Education Funding Agency - Excluding Academies	5,157,404	5,411,265	4,820,839	3,919,475	2,893,640	2,992,610	4,070,351
Academies (Net)	-	-	12,621	306,217	712,530	1,784,473	791,052
Total capital DEL	**7,441,781**	**7,124,287**	**5,042,189**	**4,258,801**	**3,603,611**	**4,787,405**	**4,885,137**
Of which:							
Capital support for local government (net)	6,671,051	6,309,513	4,689,540	2,032,605	2,235,093	2,525,206	2,955,812
Capital grants to persons & non-profit bodies (net)	480,155	659,769	230,189	(106,033)	(649,343)	(373,659)	1,041,926
Capital grants to private sector companies (net)	-	-	-	(7,302)	81,815	21,280	-
Purchase of assets	73,125	23,629	14,855	2,226,554	2,440,484	3,677,215	961,399
Income from sales of assets	(3,041)	(259)	(37)	(26,404)	(89,392)	(100,268)	-
Net lending to the private sector and abroad	-	-	4,860	-	-	-	-
Other capital	220,491	131,635	102,782	139,381	(415,046)	(962,369)	(74,000)
Total capital budget	**7,441,781**	**7,124,287**	**5,042,189**	**4,258,801**	**3,603,611**	**4,787,405**	**4,885,137**
Non-Budget							
Non-Budget Resource							
National College for Teaching and Leadership	-	-	-	-	(10,813)	-	-
Education Funding Agency - Excluding Academies	-	-	-	-	452	-	-
Academies (Net)	-	-	-	-	(76,590)	-	-
Total Non-Budget Resource	**-**	**-**	**-**	**-**	**(86,951)**	**-**	**-**
Of which:							
Current grants to local government (net)	-	-	-	-	(10,813)	-	-
Depreciation[1]	-	-	-	-	(76,139)	-	-
Non-Budget AME							
Academies (Net)	-	-	-	-	3,117,488	-	-
Total Non-Budget AME	**-**	**-**	**-**	**-**	**3,117,488**	**-**	**-**
Of which:							
Depreciation[1]	-	-	-	-	3,117,488	-	-
Non-Budget Capital							
Education Funding Agency - Excluding Academies	-	-	-	-	(13,993)	-	-
Academies (Net)	-	-	-	-	56,327	-	-
Total Non-Budget Capital	**-**	**-**	**-**	**-**	**42,334**	**-**	**-**

Table 1: Total Departmental spending (continued)

	2009-10 Outturn £000	2010-11 Outturn £000	2011-12 Outturn £000	2012-13 Outturn £000	2013-14 Restated Outturn £000	2014-15 Outturn £000	2015-16 Plans £000
Of which:							
Capital support for local government (net)	-	-	-	-	191,075	-	-
Purchase of assets	-	-	-	-	(148,741)	-	-
Total Non-Budget	**-**	**-**	**-**	**-**	**3,072,871**	**-**	**-**
Total Departmental spending	**56,684,391**	**57,471,897**	**55,253,714**	**55,227,825**	**55,874,693**	**59,151,448**	**60,621,045**
Of which:							
Total DEL	56,714,554	57,491,872	55,180,327	55,050,254	55,473,832	58,399,869	59,441,927
Total AME	(30,163)	(19,975)	73,387	177,571	400,861	751,579	1,179,118
Total non-budget	-	-	-	-	3,072,871	-	-

[1] *Includes impairments and revaluation*

C9. The basis for producing Tables 6, 7 and 8 is outlined following the respective Tables.

C10. Depreciation in the table above also includes amortisation, impairment and revaluation.

C11. Pension schemes report under IAS 19, and the pension figures include cash payments made and contributions received, as well as certain non-cash items.

C12. Total Departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

C13. Total Departmental staff costs within the table above differs from those published elsewhere in the accounts, because staff costs above include early departure costs and lump sum payments that have been presented elsewhere in the accounts.

C14. Total Departmental revenue and capital grants costs within the table above differs from those published elsewhere in the accounts, due to differences in compilation methodology between the core tables and the accounts.

C15. Total Departmental provisions within the table differ from those published elsewhere in the accounts, because the balances in the tables include costs arising from an NDPB pension scheme, which have been disclosed elsewhere in the accounts.

C16. Plans for 2015-16 represent total planned spending, including the addition of the Government Equality Office and the Equality and Human Rights Commission, which transferred from the Department for Culture, Media and Sport to the Department for Education with effect from 1 April 2015.

Table 2: Estimates to Outturn, 2014-15

	2014-15 Original Budget		2014-15 Final Budget		2014-15 Outturn	
	Resource £000	Capital £000	Resource £000	Capital £000	Resource £000	Capital £000
Spending in Departmental Expenditure Limits (DEL)						
Voted expenditure	**54,479,822**	**5,030,150**	**54,077,297**	**4,756,177**	**53,612,464**	**4,787,405**
Of which:						
Activities to Support all Functions	258,770	15,140	255,662	15,140	249,276	8,579
School Infrastructure and Funding of Education (Department)	176,914	15,000	151,823	14,800	102,749	(5,528)
Education Standards, Curriculum and Qualifications (Department)	328,776	-	219,729	-	136,086	-
Children, Young People and Families (Department)	427,625	-	356,738	-	351,145	-
Children, Young People and Families (NDPB) (Net)	2,924	-	2,924	-	2,756	43
Departmental Unallocated Provision	-	-	-	-	-	-
Standards and Testing Agency	51,018	-	45,351	-	43,250	-
National College for Teaching and Leadership	498,834	-	402,821	-	313,128	(73)
Education Funding Agency - Excluding Academies	37,845,190	4,502,337	37,808,721	4,204,024	37,664,442	2,992,610
Academies (Net)	14,889,771	497,673	14,833,528	522,213	14,749,632	1,791,774
Total spending in DEL	**54,479,822**	**5,030,150**	**54,077,297**	**4,756,177**	**53,612,464**	**4,787,405**
Spending in Annually Managed Expenditure (AME)						
Voted expenditure	**(19,122)**	**-**	**(650,213)**	**-**	**751,579**	**-**
Of which:						
Activities to Support all Functions (Department)	(18,016)	-	(12,281)	-	(5,289)	-
Activities to Support all Functions (NDPB)	-	-	-	-	-	-
Executive Agencies	(1,106)	-	5,494	-	8,080	-
Academies (Net)	-	-	657,000	-	748,788	-
Total spending in AME	**(19,122)**	**-**	**650,213**	**-**	**751,579**	**-**
Non-Budget						
Non-Budget Resource						
National College for Teaching and Leadership	-	-	-	-	(10,813)	-
Education Funding Agency - Excluding Academies	-	-	-	-	452	-
Academies (Net)	-	-	-	-	(76,591)	-
Non-Budget AME						
Academies (Net)	-	-	-	-	3,117,488	-

Table 2: Estimates to Outturn, 2014-15 (continued)

	2014-15 Original Budget		2014-15 Final Budget		2014-15 Outturn	
	Resource £000	Capital £000	Resource £000	Capital £000	Resource £000	Capital £000
Non-Budget Capital						
Education Funding Agency - Excluding Academies	-	-	-	-	-	(13,993)
Academies (Net)	-	-	-	-	-	56,327
Total Non-Budget	-	-	-	-	**3,030,536**	**42,334**
Total	**54,460,700**	**5,030,150**	**54,727,510**	**4,756,177**	**54,364,043**	**4,787,405**
Of which:						
Voted expenditure	54,460,700	5,030,150	54,727,510	4,756,177	54,364,043	4,787,405
Non-voted expenditure	-	-	-	-	-	-

Table 3: Capital employed

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

	2009-10 Outturn £000	2010-11 Outturn £000	2011-12 Outturn £000	2012-13 Outturn Restated £000	2013-14 Outturn Restated £000	2014-15 Outturn £000	2015-16 Plans £000
Assets							
Non-current assets	**153,947**	**166,218**	**162,695**	**140,191**	**144,940**	**252,452**	**261,668**
Intangible assets	67,864	64,505	56,921	35,383	22,999	25,534	11,500
Tangible assets: Property, plant and equipment	59,001	74,732	73,996	93,769	109,806	197,752	237,768
of which:							
Land and buildings	*12,599*	*52,366*	*51,389*	*69,496*	*50,902*	*65,235*	*38,502*
Information technology	*7,251*	*5,609*	*8,891*	*9,094*	*5,428*	*3,158*	*4,500*
Plant and machinery	*81*	*57*	*44*	*44*	*29*	*14*	*20*
Fixtures and fittings	*12,543*	*11,093*	*9,320*	*10,806*	*8,857*	*6,834*	*6,800*
Assets under construction	*26,527*	*5,607*	*4,352*	*4,329*	*44,590*	*122,511*	*187,946*
Financial assets	21,367	21,289	26,109	5,104	5,178	6,720	5,200
Receivables due after more than 1 year	5,715	5,692	5,669	5,935	6,957	22,446	7,200
Current assets	**55,673**	**63,930**	**79,342**	**202,951**	**233,198**	**371,934**	**202,000**
Liabilities							
Payables	**(357,466)**	**(272,108)**	**(278,058)**	**(577,990)**	**(640,113)**	**(904,946)**	**(650,000)**
Provisions	**(25,837)**	**(36,427)**	**(92,037)**	**(187,418)**	**(176,619)**	**(178,475)**	**(148,963)**
Capital employed within the Department	**(175,683)**	**(78,387)**	**(128,058)**	**(422,266)**	**(438,594)**	**(459,035)**	**(335,295)**
NDPB net assets	(339,777)	(118,452)	(27,463)	(76)	182	171	182
Academies Assets	-	-	-	25,406,977	28,093,575	33,515,498	32,197,933
Total capital employed in the Group	**(515,460)**	**(196,839)**	**(155,521)**	**24,984,635**	**27,655,163**	**33,056,634**	**31,862,820**

Table 4: Administration costs

	2009-10 Outturn £000	2010-11 Outturn £000	2011-12 Outturn £000	2012-13 Outturn £000	2013-14 Outturn £000	2014-15 Outturn £000	2015-16 Plans £000
Resource DEL							
Activities to Support all Functions	209,624	196,741	219,449	281,825	240,288	225,441	202,280
Education Standards, Curriculum and Qualifications (NDPB) (Net)	75,963	63,556	19,254	-	-	-	-
Children's Services and Departmental Strategy (NDPB) (Net)	25,242	15,467	16,828	14,904	12,231	1,856	12,888
Standards and Testing Agency	-	-	3,752	5,534	5,570	5,629	4,930
National College for Teaching and Leadership	64,332	53,694	46,406	26,015	21,406	18,341	19,956
Education Funding Agency - Excluding Academies	20,303	80,463	68,246	59,330	80,381	71,229	64,033
Total administration budget	**395,464**	**409,921**	**373,935**	**387,608**	**359,876**	**322,496**	**304,607**
Of which:							
Staff costs	257,368	255,098	241,077	247,027	207,007	194,225	185,100
Purchase of goods and services	130,451	115,706	105,859	97,538	103,630	102,205	79,115
Income from sales of goods and services	(9,066)	(4,292)	(2,895)	(831)	(539)	(8,069)	(660)
Current grants to local government (net)	-	-	-	(32)	-	-	-
Current grants to persons and non-profit bodies (net)	-	14,069	13	-	(100)	-	-
Rentals	(72)	6,592	14,061	16,738	13,933	17,607	9,583
Depreciation	16,477	23,462	15,516	19,460	28,779	13,186	24,000
Other resource	306	(714)	304	7,708	7,166	3,342	7,469

Table 5: Staff numbers

	2013 Restated	2014 Restated	2015
Department			
Civil Service full-time equivalents	2,788	2,453	2,289
non-payroll staff including consultants, contingent labour, interim managers, specialist contractors & agency staff	65	56	34
	2,853	**2,509**	**2,323**
Executive Agencies			
Civil Service full-time equivalents	1,181	1,159	1,200
non-payroll staff including consultants, contingent labour, interim managers, specialist contractors & agency staff	104	158	243
	1,285	**1,317**	**1,443**
ALBs			
Civil Service full-time equivalents	27	24	29
non-payroll staff including consultants, contingent labour, interim managers, specialist contractors & agency staff	1	1	1
	28	**25**	**30**
Academy Trusts			
Civil Service full-time equivalents	239,435	286,233	323,432
non-payroll staff including consultants, contingent labour, interim managers, specialist contractors & agency staff	11,873	14,252	16,558
	251,308	**300,485**	**339,990**
	255,474	**304,336**	**343,786**

Table 6: Total identifiable expenditure on services by country and region, 2009-10 to 2014-15

Department for Education	2010-11 £m	2011-12 £m	2012-13 £m	2013-14 £m	2014-15 £m
North East	520	494	717	947	962
North West	1,401	1,520	1,798	2,211	2,240
Yorkshire and the Humber	972	1,131	1,450	1,946	1,954
East Midlands	785	975	1,531	1,957	1,955
West Midlands	1,059	1,339	1,718	2,190	2,217
East	1,012	1,528	2,100	2,420	2,396
London	1,558	2,085	2,581	3,283	3,162
South East	1,526	1,996	2,474	2,693	2,707
South West	903	1,472	1,804	2,110	2,107
Total England	**9,735**	**12,539**	**16,173**	**19,759**	**19,700**
Scotland	1	1	1	1	1
Wales	4	4	4	4	4
Northern Ireland	-	-	-	-	-
UK identifiable expenditure	**9,740**	**12,544**	**16,178**	**19,763**	**19,705**
Outside UK	2	2	2	2	2
Total identifiable expenditure	**9,742**	**12,545**	**16,179**	**19,766**	**19,707**
Total expenditure on services	**9,742**	**12,545**	**16,179**	**19,766**	**19,707**

Table 7: Total identifiable expenditure on services by country and region, per head 2010-11 to 2014-15

Department for Education	2001-11 Outturn £ per head	2011-12 Outturn £ per head	2012-13 Outturn £ per head	2013-14 Outturn £ per head	2014-15 Outturn £ per head
North East	201	190	275	363	367
North West	200	215	254	311	314
Yorkshire and the Humber	185	214	273	365	364
East Midlands	174	215	335	426	422
West Midlands	190	239	304	386	388
East	174	261	355	406	398
London	193	254	311	390	370
South East	178	231	284	306	305
South West	172	278	338	392	388
Total England	**185**	**236**	**302**	**367**	**363**
Scotland	**-**	**-**	**-**	**-**	**-**
Wales	1	1	1	1	1
Northern Ireland	-	-	-	-	-
UK identifiable expenditure per head	**155**	**198**	**254**	**308**	**305**

C17. The functional analyses of spending in **Table 8** are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are not the same as the strategic priorities shown elsewhere in the report.

Table 8: Total identifiable expenditure on services by sub-function, country and region 2014-15

Data in this table are National Statistics

Department for Education	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	Outside UK	Not Identifiable	Grand Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Education																
Pre-primary and primary education	2	4	3	3	3	4	5	5	3	32	-	-	-	-	-	32
of which: under fives	*1*	*2*	*2*	*1*	*2*	*2*	*3*	*3*	*2*	*17*	-	-	-	-	-	*17*
of which: primary education	*1*	*2*	*2*	*2*	*2*	*2*	*2*	*2*	*2*	*15*	-	-	-	-	-	*15*
Secondary education	885	2,004	1,792	1,822	2,047	2,215	2,845	2,443	1,952	18,005	-	-	-	1	-	18,006
Post-secondary non-tertiary education	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tertiary education	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education not definable by level	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subsidiary services to education	4	12	9	8	10	10	15	15	8	92	-	-	-	-	-	92
R&D education	-	1	1	1	1	1	2	1	1	10	-	-	-	-	-	10
Education n.e.c.	65	203	136	111	143	153	279	224	130	1,445	-	3	-	1	-	1,449
Total education	956	2,224	1,941	1,945	2,205	2,383	3,145	2,689	2,094	19,583	-	3	-	2	-	19,588
Social protection																
Old age	1	2	1	1	1	1	-1	1	2	9	-	1	-	1	-	12
of which: personal social services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which: pensions	*1*	*2*	*1*	*1*	*1*	*1*	*(1)*	*1*	*2*	*9*	-	*1*	-	*1*	-	*12*
Family and children	5	13	10	9	11	11	16	17	10	103	-	-	-	-	-	103
of which: personal social services	*5*	*13*	*10*	*9*	*11*	*11*	*16*	*17*	*10*	*103*	-	-	-	-	-	*103*
of which: family benefits, income support and tax credits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social protection n.e.c.	-	1	1	-	1	-	1	-	-	5	-	-	-	-	-	5
Total social protection	6	16	12	11	13	13	17	18	12	117	-	1	-	1	-	120
TOTAL DEPARTMENT FOR EDUCATION EXPENDITURE ON SERVICES	**962**	**2,240**	**1,954**	**1,955**	**2,217**	**2,396**	**3,162**	**2,707**	**2,107**	**19,700**	**1**	**4**	**-**	**2**	**-**	**19,707**

Notes to the tables:

1. Tables 6, 7 and 8 show analyses of the department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HMT in the November 2013 release. The figures were largely taken from the Online System for Central Accounting and Reporting (OSCAR) during the summer of 2013 and the regional distributions were completed by the following autumn (taking on board any revisions to Departmental totals). Please note that totals may not sum due to rounding.

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

3. TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of the *Public Expenditure Statistical Analyses (PESA) 2013*.

4. The data feature both identifiable and non-identifiable spending:

   - identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions.
   - expenditure that is incurred for the benefit of the UK as a whole and cannot be disseminated by individual country or region is considered to be non-identifiable.

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

Annex D – Consolidation approach & methodology

D1. The Department has delegated its operational relationship with, and almost all funding of ATs, to the EFA. The EFA Group accounts for its funding of ATs in its accounts, and this funding features in the Department & Agencies column of these Group accounts. For 2014-15, EFA, for the third year, prepared consolidated accounts including the results of all ATs with operational academies open by 31 March 2015. This work, along with the Department's consolidation, is unique in government in its scale and complexity. The consolidation includes 2,824 ATs operating 4,900 academy schools, making it one of the largest consolidations in the world. This number of bodies is already twice the number of those in the rest of the UK public sector. The Group faces an unprecedented challenge in producing group accounts on this scale and of this complexity.

D2. For 2014-15 the Department has chosen to continue to consolidate ATs' results using the audited accounts to 31 August that most ATs produce to fulfil their statutory duties. This reporting date differs by seven months from the Department and, in itself, represents a significant departure from HMT's requirements. We are seeking to develop a sustainable approach to consolidation and reporting for the Group in future years, discussed at paragraph 4.123.

D3. Therefore, the Group's approach to 2014-15 was the same as for the 2012-13 and 2013-14 financial years; the 2012-13 accounts received a qualified audit opinion, whilst the 2013-14 and 2014-15 accounts both received an adverse audit opinion from the C&AG.

D4. As Accounting Officer, I am responsible for complying with the Group's statutory requirements in preparing accounts. In presenting the Group's 2014-15 accounts, I have balanced making reasonable endeavours to comply with these constraints, against the cost to the Group and the burdens on individual ATs, typically small organisations dedicated to teaching. I have sought to convey the limitations to the figures in the Group accounts and the costs of compliance that result from this balance.

D5. The Group delivered this work by preparing its consolidated accounts from the Departmental Group's own financial results and those of ATs. As a central government department, we prepare accounts on a different basis to ATs, as charities, and we disclose information that they do not. Under the terms of their funding agreements with the Secretary of State, ATs submit financial returns containing the extra information required. The ATs funding agreement also set out high-level financial relationships, including the need for each AT to have an Accounting Officer, and made the AT responsible for the proper and regular use of public money. ATs' financial returns to EFA included significant additional information on their discharge of these responsibilities.

D6. The Department underpinned ATs' accountability within the Group by issuing the *Academies' Financial Handbook* (the Handbook) under the funding agreement. The Handbook sets out in full the financial relationship between the EFA and ATs, as well as practical detail on how these relationships should work. It covers the roles of the ATs' accounting officer and governors, financial oversight, management, planning and monitoring, internal control and other matters. It further sets out a remit for local audit of ATs, covering public interest in regularity and propriety in addition to statutory audit requirements.

D7. The Accounting Officer did not (and practically cannot) exercise personal responsibility towards ATs in the same way that has been done for the remainder of the Group, nor did the EFA routinely check the underlying accounting records each year of the 2,824 ATs. Instead, the Department put in place a system of assurance and accountability that placed reliance on AT Accounting Officers, on the work of ATs' external auditors and on the work of the EFA and its Accounting Officer.

D8. The Accounting Officer in each AT gained assurance through the opinion of its auditors that the trust's accounts provided a true and fair view of its financial position. The EFA Group reviews AT' accounts for evidence of their truth and fairness and on the regularity of transactions entered into. Through the Handbook, the Department obliged ATs to commission their auditors to provide me with an annual opinion on the regularity of ATs' expenditure. The EFA supported this scrutiny by its rigorous investigation of alleged control weaknesses and irregularity.

Limitations

D9. These accounts encompass the Group, being the Department, EAs, NDPBs and 2,824 ATs with 4,900 academies. Relevant ATs were all those with open academies during 2014-15. The Group's accounts incorporated the expenditure, income, assets and liabilities of ATs funded by us. In preparing group accounts, we consolidated the results of ATs as the legal entities operating academies.

D10. We developed our approach to the consolidation of ATs into our accounts in close consultation with HMT, and ATs' representatives, and continue to work with HMT on the move towards sector reporting (discussed in more detail in the Governance Statement). We consulted with the NAO on the development of the consolidation methodology and took full responsibility for the methodology and any decisions relating to its implementation. A senior joint steering group of the Department and the EFA oversaw the consolidation project.

D11. Consolidating the accounts of 2,824 organisations would always be a significant undertaking. In the case of ATs the Group faced some unique challenges including: differing year ends (31 August for ATs versus 31 March for the Department); differing accounting standards (UK GAAP and the Charities SORP for ATs versus International Financial Reporting Standards and the FReM for the Department) and the variety of ownership structures of the significant estate of academy land and buildings.

D12. In 2014-15, we faced an additional set of challenges. The increasingly complex, and significant capital investment programme, some of which was privately financed and the creation of a new self-insurance scheme for academies, both represented our continued commitment to driving value for money, and improving educational experiences. However, both were challenging from an accounting perspective and added to the overall complexity of our financial statements.

EFA capital projects

D13. In the past 18 months, in line with our policy objectives, the EFA's extensive programme of capital expenditure resulted in more than 900 separate capital projects, capital grants and capital additions to date of £2.4 billion, across each of the three financial years from 2012-13 to 2014-15.

D14. The Department also developed a funding arrangement, and agreed a series of private finance initiative (PFI) contracts to obtain private sector funding and support for the budgeted capital spend, using a separate legal entity, the Aggregator Vehicle plc (Aggregator). Assets and liabilities were not recognized due to immateriality but commitments relating to the arrangement has been recognised within the accounts.

D15. At 31 March 2015, the Aggregator was outside the Group consolidation boundary and, as such, any transactions with it were accounted for in the Group accounts as they would be with any other third party.

D16. The point at which capital assets are recognised in the Group was based on the Group's assets under construction (AuC) recognition policy.

D17. Due to the scale and complexity of the capital programme, the EFA instigated a full review of its policies and procedures for capturing of information on AuC, and whether the Group's previously reported position as at 31 March 2014 was correct.

D18. This identified changes in policy and weakness in controls that we will seek to rectify by the following changes to accounting policy for the Group and EFA Group 2014-15 accounts.

D19. This review focused on assessing whether or not the Group previously reported its position correctly at 31 March 2014.

D20. Specifically, the review and changes in accounting policy resulted in:

- updating the point at which the Department considered the movement between AuC and depreciable categories of assets, from 31 August to 31 March, to bring it in line with its balance sheet date. This reduced the Group's opening AuC balance.
- a review of the costs incurred to ensure that all are being appropriately capitalised.
- amending our AuC accounting policy for free schools to base recognition on control of the asset.

D21. As a result of the above work, we restated our comparative figures for 2013-14 AuC, the impact of which is described in Note 2 to the Accounts. We are continuing to develop the operational and accounting governance and controls over these significant programmes of work.

Approach to consolidation

D22. The conventional approach for dealing with the issue of non-coterminous year ends would be for the Group to require all ATs to prepare a set of audited accounts as at 31 March each year. Assuming that ATs chose to retain their existing year end of 31 August this would mean additional audit fees for ATs of up to £30 million a year, and an unreasonable additional burden on the finance and administrative staff in academies. It would, in time, be possible for ATs to change their year end to match the Department. This would, however, mean that ATs were moving away from a financial cycle that matches their business (and funding) cycle in order to meet our requirements. To date we consider that the additional costs and burdens would not reflect value for money for the taxpayer, or contribute to the effective delivery of educational outcomes in ATs.

D23. The Group went through a similar process when deciding how to approach the valuation of land and buildings for these accounts. The C&AG concluded that there was insufficient evidence to support our inclusion of all academy land and buildings in our accounts. We recognise that the ownership and recognition of land and buildings in academies is complex but it is important to note that the Secretary of State retains substantial controls over many circumstances in which academy trusts seek to dispose of land and buildings, which protects the taxpayer's interests. To obtain a robust understanding that would be sufficient to remove the qualification would, we estimated, cost at least £20 million with substantial additional costs each year to maintain the database. Given the protections afforded by the Secretary of State's controls over the disposal of land and buildings, we did not consider that this represented value for money for public funds. We have made improvements since last year to develop our accounting policies in respect of AuC (as noted above), and improved the underlying data for land and buildings by stratifying the population and improving the assessment of differing ownership and recognition types.

D24. Recognising that our methodology presents substantial challenges to the production of a conventional set of accounts that can be presented as true and fair, we have worked with HMT to find alternative approaches to the consolidation of AT accounts. We have developed sector accounting methodology to be used in 2016-17, working closely with HMT in its implementation. Further detail on these plans is disclosed from paragraph 4.123 and following.

Our approach to consolidation of ATs' financial results

Summary

D25. This section sets out the process by which the Group consolidated ATs' financial results for 2014-15.

D26. The key issues we considered were:

- non-coterminous year ends (almost all ATs have a financial year end of 31 August);
- the validation of, and effect of, including estimates for academies open at 31 March, that were not included in the reported amounts by ATs at 31 August;
- reconciling our opening balance sheet, and the differences to the aggregate position reported by academies;
- valuation of ATs' land and buildings;
- appropriate recognition of AuC;
- valuation of the Group's liabilities associated with academies' pension schemes;
- the quality of some ATs' accounts returns; and
- appropriate inclusion of various prior year adjustments to re-state our opening SoFP.

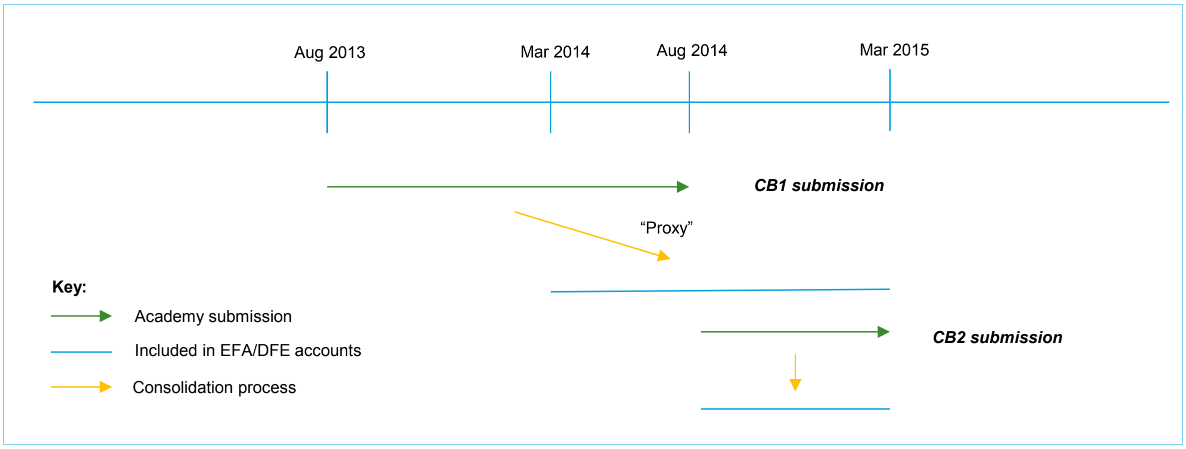
D27. Our full accounting policies are at Note 1 to the Accounts.

Non-coterminous year ends

D28. For those 2,633 ATs that prepared audited accounts as at 31 August 2014, the Group included the financial performance from those accounts as a representation of those ATs' results for 2014-15. We called this consolidation block 1 (CB1). We used these accounts to 31 August 2014 as a proxy for the expected results of these ATs for the 12 month period to 31 March 2015.

D29. For academies that joined existing multi-ATs and were not included in those multi-ATs accounts to 31 August 2014, or those ATs that were open at 31 March 2015 and did not prepare accounts as at 31 August, we collected a second, un-audited financial return to 31 March 2015. We included the consolidated results in these returns alongside those consolidated to 31 August for other academies. We called academies included in this second set of returns consolidation block 2 (CB2). Some ATs with open academies as at 31 August 2014 did not produce accounts as at 31 August 2014 because they were barred by statute from producing accounts of fewer than 6 months duration. For academies that only became operational after 31 August 2014 we asked the trust to produce a CB2 return from the opening date to 31 March 2015.

D30. The diagram below sets out this approach.



D31. In using ATs' results to 31 August, we made the assumption that for established ATs, the majority of their income and expenditure by month for the period 1 September 2013 to 31 March 2015 varied little. Hence, we assume that ATs' income and expenditure for the period from 1 September 2013 to 31 August 2014 should, for all academies, be materially similar to the period 1 April 2014 to 31 March 2015. The ATs' balances for current assets and liabilities should also be materially similar at 31 August 2014 and 31 March 2015. This was the basis of our use of the ATs' results at 31 August 2014 as a 'proxy' for their results to 31 March 2015.

D32. We recognised that this is a significant departure from IFRS 10 and the FReM. This standard permits the consolidation of accounts to year ends that are no more than 3 months apart. We made our approach clear to HMT (who acknowledged our intention) when we first proposed this approach for financial year 2012-13.

D33. Our use of the proxy required us to accept two principal errors and areas of uncertainty into the accounts.

- for those reporting to 31 August 2014, inevitable movements over time between income and expenditure totals for the year to that date, and current assets and liabilities at that date, compared to the totals and balances for the ATs had they reported to 31 March 2015
- the degree of match between 2,633 ATs' recording of the grants they received from the EFA in 2013/14 compared to our records of payment of grants to ATs for 2014-15.

D34. One impact of using non-coterminous year ends between ATs and EFA was that ATs' reporting of income they received from the EFA may not match the equivalent expense recorded by the EFA.

D35. As for 2013-14, we identified a mismatch between ATs' records of grants received and the EFA's records paid. For 2014-15 we have calculated the difference between the revenue grant paid by the EFA in 2012/13 and the extrapolated revenue calculated from AT returns to be £406.4 million. The equivalent figures for capital grant is £39.0 million.

Approach to academies not included in 31 August accounts

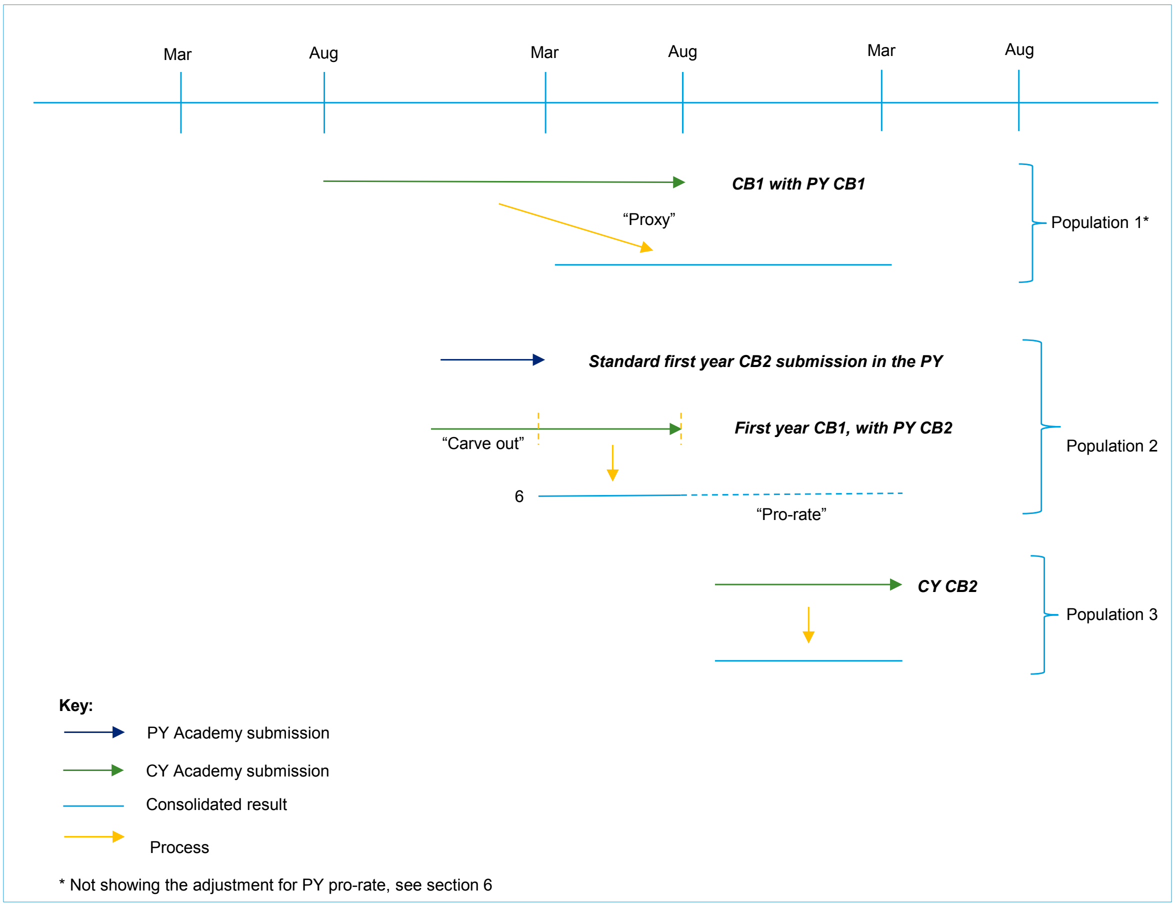
D36. Our use of ATs results to both 31 August, and 31 March required us to accept one principal error, and two key judgements into the accounts:

- differences between opening balances ATs reported to us at 31 August 2014 compared to their closing balances at 31 March 2014, for those ATs that prepared both returns
- the estimate included by us in pro-rating amounts submitted by ATs at 31 August 2014, for those trusts that submitted a return in the prior year to 31 March 2014, following the reconciliation of their opening balances
- all submitted CB2 information was un-audited, and we accept that this was therefore less robust than the equivalent CB1 returns. As such, inclusion of this information, and reliance on its sufficient validity for these purposes, is a key assumption in the approach.

D37. The use of the proxy, and the approach to pro-rating certain AT balances represented two of the most significant judgements arrived at by the Group in applying the consolidation methodology.

D38. The use of results to both 31 August and 31 March in particular incorporated complexity into the ongoing consolidation process. Where ATs in our consolidation approach moved from CB2 (in 2013-14) to CB1 (in 2014-15), the adjustments the Group made to align the reported opening balances for these trusts (the “carve out”), and estimate the trusts’ activity to 31 March introduced (“the pro-rate”) a significant degree of estimation in the Group accounts. We called the two main effects of this approach the “carve out” and “pro-rate” and the approach created a third population of ATs that required specific scrutiny.

D39. The diagram below shows the three populations of academies in our consolidated result:



D40. Our approach to testing the returns submitted by ATs in CB2 was threefold:

- we performed validation checks on the returns submitted by the academies
- we visited a sample of 44 ATs within the CB2 group to seek to agree the balances in the returns they submitted to the Group to their books and records
- for the first time this year, we compared the balances contained in returns by CB2 ATs in relation to 2013-14 to the balances reported by the same ATs in their returns as part of CB1 this year. We assessed any significant anomalies and found that, as a result of prior year estimated errors in CB2 submissions, the current year's results contained significant errors.

D41. We estimate that, had the Group required it, the additional cost of an audit of returns ATs in CB2 might be £3 million. In light of the assurance available to the Group from other sources, we did not consider this was value for money for public funds.

Support for the proxy and the pro rate judgements

D42. Use of the proxy, and application of the pro-rate, were two significant judgements in the consolidation approach.

D43. For 2014-15 the pro-rate increased AT income by £1.6 billion and expenses by £1.4 billion.

D44. As in prior years, the Group commissioned a sample of ATs to participate in a comparison study. The Group has conducted comparison studies since 2012-13 to provide support for the proxy assertion. For the first time, the comparison study for 2014-15 looked at the pro-rate as well as the proxy. This was done at no additional cost, requiring us to make decisions on sample sizes, and groups of ATs to be included and excluded from the population sampled. These management decisions introduced some limitations to the statistical validity of the sample and degree of certainty over the resulting extrapolated errors and uncertainties.

Reconciling opening balances

D45. The use of two groups of academies with August and March reporting periods, and the transition between them created the challenge of reconciling the opening balances submitted by ATs with those closing balances previously reported to the Group by the same ATs.

D46. A key element of this reconciliation was the requirement to record the 'carve out' adjustment in our accounts.

D47. For 2014-15 this had the effect of increasing the opening balances of the ATs affected by £3.5 billion, and reducing their net income (income and expense combined) by the same amount. The largest element of the carve out adjustment was justified by the need to remove the double counting of transfers in for ATs' land and buildings, that were recorded in the affected trusts' returns in CB2 and then CB1.

D48. The table below sets out the full opening balance sheet reconciliation for 2014-15:

Adjustment and narrative	Impact on opening funds £m
Opening net assets reported submitted by academies	25,398
Adjustment through initial validation	(262)
Carve out adjustments	3,452
Impact of prior year EFA central adjustments	(640)
Amendment to LGPS balances	(226)
Amendments to land and buildings value balances	2,888
Reflecting the prior year net pro-rate adjustment	145
Current year opening balance	30,755
Prior year closing balance reported	30,755

Valuation of AT land and buildings

D49. ATs' land and buildings were potentially the Group's most significant assets by value at £33.3 billion collectively and dominated the Group's Statement of Financial Position. We faced four challenges in accounting for these land and buildings: valuation, acquisition and disposal, impairment, and recognition.

Valuation

D50. ATs valued their land and buildings using a range of methods, and as above, most reported on those values at 31 August, not the Group year end of 31 March. Few of the methods adopted by ATs complied with HMT's reporting requirements for such valuations. The Department therefore continued its approach of commissioning valuations of newly opening academies' land and buildings. We paid an average of £116 per valuation for academies opening in 2014-15 and commissioned independent quality assurance of the valuations. Together with valuations we procured for earlier years and have indexed, we obtained a materially complete set of valuations for all academies that have opened since the inception of the programme, using a method that complies with HMT reporting requirements. Valuations the Group received in 2015 were at depreciated replacement cost (DRC) based upon the school or academy footprint set out in *Buildings Bulletin 103 and 102*, whereas previous valuations were at DRC with reference to *Buildings Bulletins 98* and *99*.

D51. The valuations the Group procured at 31 March 2014 were made under the updated *Building Bulletin 103 and 102*; however, at that point we did not seek to re-value all land and buildings previously valued under earlier versions of the bulletin.

D52. Given its significance to the value of our estate, the Group commissioned an estimate on the impact of re-valuing that portion of the estate. Doing so would reduce the book value of the estate by £3.4 billion. We recorded this in the accounts as a restatement of the Group's opening Statement of Financial Position. Our valuation methodology resulted in each academy having its land and buildings valued every five years. In line with our accounting policy and the FReM, we adopted a policy of indexation between valuation points. In prior years, we used indices published by BIS to update valuations of buildings, but did not apply indexation to land. For 2014-15, we moved to using the *Office for National Statistics (ONS) - New Work Output Prices – Public (other than housing)* for buildings and the *LSL Acadata House Price Index* for land.

D53. This approach resulted in a significant estimation of the value of the estate, but was in line with financial reporting requirements.

D54. In 2014-15 there were two significant impacts on the Group's accounts of this policy in the current year:

- Indexing land for the first time was a change in the Group's accounting policy, and resulted in a prior year adjustment, which increased the Group's opening reserves by £545 million and resulted in an in year credit of £424 million, such that the overall impact at 31 March 2015 was an increase in the value of the estate by £969 million;
- BIS updated its previously applied indices after the Group's published its 2013-14 accounts. As new information received after the filing of the Group's accounts, we did not believe that this change requires a prior year restatement, but given its significance, we adjusted for this change in the current year. It resulted in a £1,015 million increase in the value of the AT estate.

D55. In addition, the current year normal indexation adjustment was a £728 million increase in the value of the academy estate.

Acquisition and disposal

D56. ATs acquired and disposed of land and buildings throughout 2014-15 and recorded these transactions in their 2013/14 accounts where they prepared these, or their 2014-15 CB2 accounts returns where they were newly opened. The Group used ATs' 2013/14 accounts to 31 August 2014 as a proxy for its financial year. The accounts did not, by definition, include land and buildings transactions for the seven months 1 September 2014 to 31 March 2015.

D57. These transactions fell into five types. The first, the most material, was the addition to land and buildings over the seven month period likely to result from the completion of the AuC review. The next three types were acquisitions, disposals and impairments over the period; and the final type of transaction were those acquisitions, disposals and impairments over the period that ATs' accounts reflect but that should not be reflected in the Group's accounts. A number of ATs acquired or disposed of land and buildings between 1 September 2014 and 31 March 2015 and appropriately did not reflect these transactions in their 2013/14 accounts. We did not include these acquisitions and disposals in the 2014-15 Group accounts and cannot state definitively the number of ATs making these acquisitions and disposals or the value of these transactions.

Impairment

D58. The Group's 2014-15 accounts included land and buildings valuations for 2,824 ATs, operating 4,900 schools in more than 5,000 buildings and associated land. In the normal course of their operations, ATs' land and buildings may have suffered some degree of impairment that the ATs could not address during the financial year by either routine maintenance or, in some cases, at all. ATs reflected these impairments in their accounts for those land and buildings recognised on their balance sheets; the Group could include the impairments in its accounts.

D59. In some cases, ATs may not have accounted for impairments, not least because the AT has not recognised the value of land and buildings it considered others to own.

D60. To address this, the Group completed its own impairment review of the estate, taking into account the value of the estate and overall materiality, and did not consider there to be any material impairment to the estate, other than as disclosed.

Recognition

D61. Recognition of ATs' land and building assets in the Group accounts is contentious. The Department has chosen to recognise all ATs' land and buildings in its group accounts because the ATs were using these specialised assets and had an obligation to maintain their buildings. As was the case last year, the C&AG does not agree with this accounting treatment, as he considers it did not provide adequate evidence on who owns these assets. Many ATs received partial information on ownership when they converted from local authority maintenance or other past status. Ownership may have differed between buildings the AT accesses and the land the buildings stand on, and several different owners sometimes claim part of the land. Access is often under complex lease arrangements that may, or may not, constitute accounting ownership. Many ATs have established ownership, often at considerable cost and effort; others have relied on information given to them by leaseholders. In preparing its group accounts, Department did not consider it can simply rely on ATs' recognition of their land and buildings as disclosed by ATs in their own accounts.

D62. As I stated in my evidence to the Committee of Public Accounts in March 2014, it would be extremely expensive for the Group to establish ownership of every AT's land and buildings. The Group would need to conduct, or require ATs to conduct, legal searches and other work to establish complete title, and then given the likely complexity of ownership, commission a partner to support us in concluding on the appropriate accounting recognition approach. With 4,900 academies open as at March 2015 and a possible cost per academy of £5,000 to £10,000 this exercise may cost £20 to £40 million in the first year and between £5 to £10 million each successive year for newly opened academies and for changes in ownership of existing academy land and buildings. I do not believe this represents value for money to public funds.

D63. For 2014-15 the Department researched ATs' ownership of their land and buildings, requesting that trusts making an accounts return to 31 March 2015 would also provide information on ownership. This repeated a similar exercise in 2013-14, and we have also asked all ATs preparing the accounts return to 31 August 2015 to provide this information. This will provide the Group with considerable information on ownership, and will allow us to compile a summary of owned assets and ATs' tenure at 31 August 2015 (as we did at 31 March 2015).

D64. While this summary aligned with ATs' accounts, we have not validated it, for instance by requiring ATs' auditors to report on the disclosures. Using the information collected so far, we estimate that the question of recognition may apply to 798 academies within ATs at 31 March 2014 (20.4% of all open academies). We valued the land and buildings owned by these academies at £2.6 billion, or 9.6% of all land and buildings.

D65. We reviewed the accounts, and financial returns submitted by ATs at 31 August 2014 for any that did not disclose a value for land and buildings. Of the sample reviewed (81% of the CB1 population), 163 trusts recorded no value for their land and buildings down from 183 in 2013-14. The net movement resulted from 75 trusts that had previously not recognised any value in prior years, recognising some value in the current year against 55 newly reported nil values.

D66. Over 75% of 430 church academies in the population reviewed had recognised value for their land and buildings, with, 99 not recognising any value.

D67. We had better information about free school ATs' ownership of land and buildings as we were involved in most of the acquisitions of these assets. Free schools are a small proportion of all ATs.

D68. For 2014-15 the Group considered that its inclusion of £34 billion of ATs' land and buildings in its accounts best represented the reality of ATs' access to these specialised assets without imposing an unacceptable cost of collecting more data.

Valuation of AT participation in the LGPS pension scheme

D69. The most significant liability balance on ATs' balance sheets was the net deficit in relation to ATs' membership of the LGPS. ATs account for pension scheme disclosures under generally accepted accounting practice in the UK, specifically *Financial Reporting Standard 17: Retirement Benefits* (FRS 17). The Group follow FReM that requires adoption of international financial reporting standards, specifically IAS 19. There was little practical difference between valuations completed under these standards as at the same valuation date.

D70. Only ATs that prepared accounts to 31 August 2014 had valuations under FRS 17, and there could have been material changes to these values between this date and 31 March 2015. To address these issues, the Group commissioned its own IAS 19 valuations as at 31 March 2015 from the actuarial firms that provide pension valuations to the LGPS. Where possible, these valuations used a common set of assumptions, and we have reviewed these and agreed each key assumption**.**

The quality of AT returns

D71. Key to preparing the Group accounts was the accuracy and completeness of returns by ATs. We supported ATs by issuing guidance, offering training and designing returns so that ATs can self-audit as they complete the returns. As noted, we also validated returns at the point at which they are consolidated into the Group accounts.

D72. ATs were required to complete financial returns containing complex information, which can be challenging for newly opened ATs as they may do so as soon as a month after opening. This could result in data issues, even when the AT is receiving appropriate professional financial advice.

D73. We validated the returns submitted by ATs to Group in two ways. The first was extensive validation by a combination of automated tests, additional evidence sought through review of AT financial statements and personal enquiry to ATs.

D74. The second, in addition to this programme of validation, was a requirement that ATs commission, at their own expense, an audit of their CB1 accounts return to 31 August 2014. For the 2,633 ATs preparing these returns, the cost of which are low because much of the accounts return derives from the ATs' annual accounts. The costs to ATs of doing this (disclosed in their accounts) was a proportion of their £23.8 million overall audit fees and, where the AT paid for professional help in preparing the return, a proportion of their £9.9 million for non-audit fees. We estimated that these costs could be in the region of one-fifth of the combined audit and non-audit fees for 2013/14, or £7 million.

Inclusion of prior year adjustments in our accounts

D75. We continually reviewed and considered the appropriateness of the Group accounting policies, and operational procedures that supporting the report of its financial performance.

D76. As a result of some of the issues noted above, some of which are within our control, we concluded that in order to present the most transparent picture of the Group's financial performance, certain comparative balances should be restated in line with updated accounting policies, or to correct previous estimates found to be inaccurate.

D77. Full and detailed disclosure of these changes is found in Note 2 to the Accounts.

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

I certify that I have audited the financial statements of the Department for Education and of its Departmental Group for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2014. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Basis for qualified opinion on regularity

Parliament authorised a Capital Departmental Expenditure Limit for the Department of £4,756,177,000. Against this limit, the Department incurred actual expenditure of £4,787,405,000 breaching the authorised limit by £31,228,000 as shown in the Statement of Parliamentary Supply.

Parliament authorised a Resource Annually Managed Expenditure Limit for the Department of £650,213,000. Against this limit, the Department incurred actual expenditure of £751,579,000, breaching the authorised limit by £101,366,000, as shown in the Statement of Parliamentary Supply.

Parliament did not authorise a Non-Budget provision for the Department. Against this limit, the Department incurred actual expenditure of £3,072,871,000 breaching the authorised limit by £3,072,871,000 as shown in the Statement of Parliamentary Supply.

Qualified opinion on regularity

In my opinion, except for the excesses described in the *Basis for qualified opinion on regularity* paragraph, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2015 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for adverse opinion on the Departmental group financial statements

There is a presumption under IFRS 10 *Consolidated Financial Statements* that, in order to present a true and fair view, the date of the financial statements for subsidiaries consolidated into group accounts should be no more than three months different from the date of the group accounts. As described in the accounting policies, the Department consolidated 2,824 academy trusts (operating 4,900 academies as at 31 March 2015) using a number of data sources with different periods. The majority of academy trusts were consolidated using their 31 August 2014 financial statements audited by academy trust auditors, a seven month difference in reporting date from the Departmental group. 768 newly opened academies were consolidated using returns from the date of opening to 31 March 2015 but these were unaudited. As the Department has not consolidated academy trusts in accordance with IFRS 10, in my view, this has led to misstatement and uncertainty that I consider to be material and pervasive to the group financial statements. The Department has not quantified the effect of this non-compliance.

In addition, the Group has recognised academy trust land and buildings of £33 billion in its Statement of Financial Position. The audit evidence available to me was limited in respect of this balance because the Group was unable to demonstrate that these all met the recognition criteria for a non-current asset under International Accounting Standard 16 Property, Plant and Equipment.

Finally, I qualified my audit opinion in 2013-14 because I identified a material level of misstatement and uncertainty in the group financial statements. In addition, I have identified a material level of misstatements in the 2014-15 group financial statements that also relate to 2013-14. Therefore, I have qualified my opinion on the comparative figures in the group financial statements.

Adverse opinion on the financial statements

In my opinion, because of the significance of the matters described in the *Basis for Adverse Opinion on the Departmental group financial statements* paragraph, the financial statements:

- do not give a true and fair view of the state of the Departmental Group's affairs as at 31 March 2015 and of the Departmental Group's net operating cost for the year then ended; and
- give a true and fair view of the Department's affairs as at 31 March 2015 and of the Department's net operating cost 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 other matters

In my opinion:

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

Matters on which I report by exception

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

- Adequate accounting records have not been kept; and
- I have not received all of the information and explanations I require for my audit.

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

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

Report

My report on these financial statements is on pages 125 to 132.

Sir Amyas C E Morse **7 April 2016**
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
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The Report of the Comptroller & Auditor General to the House of Commons

Introduction

1 The Department for Education (the Department) produces Resource Accounts in accordance with the Government Resources and Accounts Act 2000 and includes within these Resource Accounts the following:

- **The Department for Education financial statements** comprising the results of the Department, its three executive agencies (the Education Funding Agency (EFA), the National College for Teaching and Leadership, and the Standards and Testing Agency); and
- **The Departmental group financial statements** comprising the results of the bodies above, as well as the Office of the Children's Commissioner (a non-departmental public body) and the 2,824 academy trusts that operated 4,900 academies as at 31 March 2015.

2 In accordance with the requirements of the Government Resources and Accounts Act, I am required to examine and certify the above financial statements. I may also choose to issue a substantive report when I consider there are matters which may have a direct or indirect effect on public expenditure and warrant being drawn to the attention of Parliament.

Scope and purpose of this report

3 The purpose of this report is:

- To explain why the Department was unable to meet the original statutory reporting deadline for its 2014-15 accounts and had to request an extension (paragraphs 6-9);
- To explain the qualification of my audit opinion on the group financial statements and comment on developments from the prior year (paragraphs 10-35); and
- To draw attention to the work by the Department and HM Treasury to develop an alternative approach to accounting for academy trusts to improve the transparency to Parliament of academy trusts' spending (paragraphs 36-40).

4 With the exception of the EFA, the issues raised in this report do not relate to the audit opinions I have issued on the individual financial statements of the other bodies included in the group (the National College for Teaching and Leadership, the Standards and Testing Agency, and the Office of the Children's Commissioner). These bodies prepare their own individual financial statements and I have issued 'unqualified' true and fair and regularity opinions on each of these. Academy trusts also prepare individual financial statements and these are audited by separate auditors. I have not identified material inaccuracies in the financial statements of academy trusts which would have a material impact on the Department's group financial statements.

5 I have given an adverse opinion on the EFA group financial statements. This is due to the issues that are discussed in this Report with regard to the Department's financial statements. These relate to the methodology by which Academy trusts are consolidated into the EFA group financial statements, which is the same as that used by the Department in preparing its group financial statements. Further details of the impact of these issues on the EFA financial statements are set out in my Report on those accounts.

Extension to the statutory deadline

6 Under the Government Resources and Accounts Act 2000, the Accounting Officer of the Department is required to submit to me, as the Comptroller and Auditor General, the signed Department for Education group financial statements for 2014-15 by 30 November 2015. I am required by the Act to certify these by 15 January 2016 and to send them to HM Treasury. HM Treasury is required to lay the financial statements, along with my audit opinions and report, before the House of Commons by 31 January 2016.

7 The Department did not provide group financial statements supported by sufficient appropriate evidence to enable me to form an opinion within the statutory timetable. This was largely due to the scale and complexity of consolidating 2,824 academy trusts with year-ends that do not match that of the group (paragraphs 13-18), combined with issues relating to the significant expansion of the capital programme within the EFA (paragraphs 25-29). On 29 January 2016 the Accounting Officer wrote to the Chair of the Committee of Public Accounts, and the Chair of the Education Select Committee outlining his intention to delay the laying of the accounts. This was on the basis of the Department's assessment, which I supported, that a delay offered an opportunity to materially improve the quality of the supporting evidence and enable me to form an opinion on the group financial statements to be laid before Parliament.

8 Based on the Department's assurance of improvement, and following consultation with me, HM Treasury agreed to an extension of the statutory deadline. This was enacted by an Order under the Government Resources and Accounts Act 2000, amending the date for the laying of the 2014-15 accounts from 31 January to no later than 29 April 2016.

9 As a result of the extension, the Department was able to provide sufficient, appropriate evidence to enable me to conclude my audit and to form an adverse opinion on the truth and fairness of the group financial statements and an unqualified opinion on the financial statements of the Department (which consists of the core Department and agencies).

Adverse opinion on the Departmental group's financial statements

10 In 2013-14, I issued an adverse opinion on the truth and fairness of the Department's group financial statements as I had identified a level of misstatement and uncertainty, which I considered was material and pervasive to the group financial statements. I noted that I did not believe that the Department would be able to address the challenge of consolidating so many academy trusts with different year-ends from the group without a significant change in the current consolidation methodology.

11 For the 2014-15 group financial statements, I have continued to issue an adverse opinion due to a level of misstatement and uncertainty which I consider to be material and pervasive. The key areas of misstatement and uncertainty are:

- the financial statements are not materially compliant with International Financial Reporting Standard 10 *Consolidated Financial Statements*. I have identified increased levels of error and uncertainty arising from the consolidation of academy trust results with a reporting date seven months prior to the Department's reporting date, as well as the use of unaudited returns for those academies which had recently opened and had not yet produced financial statements;

- a continuing limitation of scope over the academy trust land and buildings recognised in the group financial statements; and
- material and pervasive misstatements in the prior year comparatives.

12 I discuss these matters further in paragraphs 13-24. In paragraph 36-40, I set out the progress that the Department has made towards agreeing an alternative approach for accounting for academy trusts that will, if implemented effectively, provide a solution to some, though not all, of the consolidation methodology issues it faces.

Findings from my audit

(a) Non-compliance with IFRS 10

13 In my previous Reports on the Department's financial statements for 2012-13 and 2013-14, I set out the significant challenges faced by the Department in preparing its consolidated financial statements and the approach it has taken to try to address these. Annex D: Consolidation approach and methodology, of the Department's Annual Report sets out the Department's approach.

14 The main challenges facing the Department arise from the consolidation of a large (and increasing) number of academy trusts and the different financial reporting periods for the Department and academy trusts. Whereas the Department is required to produce its financial statements to a 31 March year end, academy trusts have a year end of 31 August which aligns with the academic year. IFRS 10 *Consolidated Financial Statements* recognises that group financial statements may comprise bodies with different accounting periods but limits the allowable difference to three months. This gives rise to a significant challenge for the Department to prepare financial statements which provide a true and fair view of the financial activity for the period in question and the financial position at the end of that period.

15 The Department's approach to consolidating academies is based on three key sources of financial information:

- Audited academy trust financial statements to 31 August 2014 (my findings on this element are set out in paragraph 16);
- unaudited returns to March 2015 for those academies that had recently opened and had not produced financial statements (paragraphs 17-18); and
- centrally collated information on land and buildings, pension liabilities and assets under construction (paragraphs 19-29)

16 The Department has used audited academy trust financial statements to 31 August 2014 for 2,634 academy trusts. This approach is not in compliance with IFRS 10. As in previous years, it commissioned a "comparison study" which sought to prove that there was no material difference between the financial information included in the group accounts for these academy trusts and the information which would have been included had financial statements to March 2015 been used instead. I consider that the comparison study has not provided sufficient, appropriate evidence to support this assertion. The results of the study indicate that there is a material difference between academy trusts' financial information for the year ended 31 March 2015 and the information that has been included in the group accounts. I cannot quantify precisely the extent of the difference as limitations in the scope and design of the comparison study make it impracticable to draw valid extrapolations across all academy trusts. However, I consider the impact on the financial statements of this non-compliance with IFRS 10 to be material and pervasive, and as such, the financial statements as a whole do not present a true and fair view

17 Academy trusts that open during the 2014-15 financial year and new academies that join existing academy trusts between 1 September 2014 and 31 March 2015 and have yet to be included with audited academy trust financial statements, are required to submit an unaudited accounts return to the Department. The financial statements record £662 million expenditure, £622 million income, £364 million assets and £104 million liabilities for this population of 468 academy trusts (excluding land and buildings and pension valuations, which, as noted in paragraph 15 were subject to a central adjustment). There is insufficient evidence to support the accuracy and completeness of these balances.

18 The Department and the EFA undertook validation testing and assurance visits to a sample of academies to agree balances in the unaudited accounts returns to books and records. I reviewed the effectiveness of these controls and attended a sample of assurance visits, and concluded that they did not provide sufficient, appropriate evidence of the accuracy and completeness of the unaudited returns. The Department took the decision not to carry out additional work to validate the unaudited data. Its view was that, in light of the results of the comparison study (discussed above), further work was unlikely to bridge the assurance gap, and so would not provide value for money, as well as placing an unwarranted burden on academies.

(b) Land and buildings

19 In 2012-13 and 2013-14 I limited the scope of my audit opinion in respect of the valuation of land and buildings held by academy trusts and I continue to do so for 2014-15. Academy trust land and buildings with a valuation of £33.3 billion have been recognised as at 31 March 2015.

20 As noted in paragraph 15, the Department has made a central adjustment for land and buildings rather than consolidating the balances included in the financial statements of academy trusts. This is because academy trusts prepare their accounts in accordance with *Accounting and Reporting by Charities: Statement on Recommended Practice* (the Charities SORP). The criteria for recognising and valuing assets in the Charities SORP are not fully aligned with those in International Accounting Standards and HM Treasury guidance (the basis under which the group accounts are prepared).

21 The Department has made an assumption that all land and buildings used by academy trusts should be capitalised within the group statement of financial position. This may not comply with the requirements of International Accounting Standards and HM Treasury guidance, for example where buildings are occupied on a short term lease or are owned by another entity.

22 The Department does not have robust data to demonstrate that its assumption is appropriate. As a result, I cannot determine the extent of land and buildings assets that may be erroneously capitalised in the consolidated statement of financial position.

23 The lack of central oversight and records of the academy sector estate has also led to further error and uncertainty in the accounts. This includes double counting of assets, classification errors between land and buildings and assets under construction and the inclusion of some assets on a valuation basis that is not compliant with HM Treasury guidance.

24 In my reports on the 2012-13 and 2013-14 financial statements, I noted that I did not believe that the Department would be able to resolve the issues around the recognition of Land and Buildings for a number of years. The Department stated last year that collecting the required information would be very costly (estimating that this could cost over £20 million to collate the information and between £5 million to £10 million a year to keep these data current) and therefore decided not to collect the information on value for money grounds.

(c) Capital projects

25 The Priority Schools Building Programme (PSBP) is a programme to address the needs of the schools most in need of urgent repair. The aim of the programme is for 260 schools to be rebuilt or have their condition needs met by the EFA over 4 years. In addition, the Government has pledged to open 500 free schools over the next 5 years. As a result, there has been a significant expansion of the EFA's capital programme during 2014-15 with over 900 active PSBP and free school capital projects at schools across England during 2014-15, an increase from less than 200 during 2013-14.

26 The expansion of the EFA's capital programme within a short timeframe has challenged the EFA's capacity and capability for central record keeping and financial management. My audit identified significant, but not material, uncertainties due to weaknesses in record management and sharing of information between the EFA capital group and the finance teams of the EFA and the Department. These included uncertainties on the timing of the acquisition of sites and completion of assets, as well as costs being incorrectly capitalised where the group did not hold the rights to the future economic benefits associated with the assets. Weaknesses in the EFA's method of formally assessing the progress of construction works as at 31 March 2015 led to uncertainty on the value of capital accruals. I also identified a number of clauses in capital contracts which gave rise to provisions and contingent liabilities that had not been recognised in the financial statements.

27 Delays in providing capital project information for audit and the volume of issues noted on capital projects significantly delayed the accounts preparation and audit timetable. Because of inadequate information-sharing across the Department and the EFA, the finance teams were not fully prepared for the scale of expansion of the capital activity on free schools and PSBP and the potential financial accounting implications until March 2015. The review of the relevant records to derive the accounting treatment for the associated capital projects within the Department's financial statements was not completed until October 2015, nearly seven months after the financial year-end. Although the additional work on accounting for capital projects was completed by January 2016, the delay it caused to the accounts preparation process, combined with the complexities of the consolidation methodology, was a key factor in the Department seeking an extension to the statutory deadline.

28 The EFA had to seek retrospective approval from HM Treasury for some types of capital transactions, mainly public sector overage arrangements, which my audit identified as being prima facie novel and contentious (as defined by HM Treasury's Managing Public Money, which sets out the rules on how public money can be spent). The Department has provided details of the relevant classes of transaction in its Governance Statement on pages 46 to 48. The EFA should have obtained HM Treasury's approval before signing the contracts to ensure that it only entered into projects where it had the authority to do so. HM Treasury provided retrospective approval in all of these cases.

29 The EFA is taking a number of actions to address the concerns I have raised on capital projects. A number of improvements are being made to the financial management of capital transactions including record keeping, enhanced training and guidance for staff; revision of internal processes; and strengthening of project monitoring. The EFA is also working with HM Treasury to agree a revised framework of delegations for its capital programmes, which will clarify which types of transaction require HM Treasury authorisation.

Qualification of my regularity audit opinion

30 A primary objective of preparing consolidated departmental financial statements is to provide accountability to Parliament for the financial activity it has approved for the year for the whole Departmental group, which includes the financial activity of academy trusts. The Statement of Parliamentary Supply is the parliamentary accountability statement and shows how the monies authorised by Acts of Parliament have been applied, including outturns against a series of annual limits on the net expenditure which each department may not exceed and on the total cash each department can use.

31 Any expenditure outside of these limits will result in an 'Excess Vote'. Such expenditure potentially undermines parliamentary control over public spending. Where these limits are breached, I qualify my regularity opinion on the financial statements.

32 In my 2013-14 report, I highlighted the weaknesses in the Department's ability to forecast spend accurately for the group, mainly due to the Department's lack of timely and accurate in-year information on the forecast spend of academy trusts. Academy trusts have some discretion in how they use the funds provided to them by the Department; they have freedom to determine their spending profiles and carry forward unspent grant. This represents a financial management and accountability challenge to the Department and HM Treasury's ability to manage in-year resources and make appropriate financial decisions including accurate forecasting and resource requests.

33 I qualified my regularity opinion on the Department's group financial statements for 2013-14 on the basis that the Department had breached its Annually Managed Expenditure Limit control total by £166 million due to higher than anticipated non-cash costs relating to pensions, depreciation and impairment charges.

34 I have again qualified my regularity opinion on the Department's group financial statements for 2014-15 as the Department has incurred three breaches of its Parliamentary control totals:

- Net expenditure of £4,787.4 million has been incurred against the Capital Departmental Expenditure Limit of £4,756.2 million. The breach of this limit by £31.2m has arisen from the difficulty that the Department faces in forecasting the number and value of donated assets transferring from local authority control to the academy sector.
- Net expenditure of £751.6 million has been incurred against the Resource Annually Managed Expenditure Limit of £650.2 million. The breach of this limit by £101.4 million is due to higher than anticipated impairment charges on land and buildings.
- Prior year adjustments with a net impact of £3,072.9 million on the Statement of Parliamentary Supply have been processed. The Department did not seek Non-Budget provision for these adjustments in its supply estimates approved by Parliament and thus has breached the Non-Budget limit by the full value of the prior year adjustments

35 The impact of the level of error and uncertainty within the income and expenditure which has led to my issue of an adverse opinion on the financial statements is not captured within the Statement of Parliamentary Supply. This limits the ability of Parliament to identify the actual spend by the academies sector for the year in question.

Alternative approach to accounting for academy trusts' financial results

36 In 2013-14, I recommended that the Department and HM Treasury work together to identify a solution to the causes of my qualification and that any alternative approach for accounting for academy trusts should provide more robust information for use in the HM Treasury's fiscal modelling and the Whole of Government accounts.

37 The Department's preferred option is to remove the academy trusts' financial results from the Department's group financial statements and to reflect only grants paid to academies. The Department would then prepare a separate aggregated account for academies as at 31 August (the Sector Report). As the Department notes in its Annual Report, it received an 'in principle' agreement from HM Treasury to develop the proposals for a Sector Report alongside a range of challenging conditions that would have to be met. These proposals have been reviewed and approved by the Alignment Review Committee, Scrutiny Unit, Education Select Committee and Liaison Committee and will therefore proceed, subject to meeting the conditions placed on this approval by these committees.

38 The problems with accounting for academies extend beyond the current consolidation methodology and the issues of non-coterminous year ends, into wider issues of Parliamentary accountability, financial accounting and financial management. The Sector Report option, if implemented effectively, will provide a solution to a number of the consolidation methodology issues faced by the Department. It will not, however, address all of the causes of error and uncertainty and limitations which I have detailed in this Report, such as the recognition of land and buildings. The Department has not yet fully developed its proposals to allow robust information on the results of academy trusts to be incorporated into the Whole of Government Accounts (WGA) on a more timely basis.

39 The Department's policy of autonomy for academies brings with it significant risks if the financial capability of the Department and academies are not strengthened; and the financial statements do not present a true and fair view and meet the accountability requirements of Parliament. This will become even more significant in the context of the planned expansion of the academy sector. The Chancellor announced in the Budget on 16 March 2016 that the government expects all schools to become academies by 2020 or to have an academy order in place to convert by 2022.

40 The Department has developed a programme of work to improve financial management in the sector and it is positive to see a coherent view of the work across the Department. I will continue to liaise with the Department to ensure that progress is being made, particularly to ensure that appropriate measures are developed to assess how financial management in the academy sector is changing over time.

Recommendations

41 As discussed in paragraph 29, the EFA is taking steps to improve the financial management and record keeping in respect of the capital programme. I support these proposed actions, however I consider that the EFA will need to work rapidly to enable improvements to be in place for the 2015-16 financial statements and the proposed dry run Sector report. Senior management leadership and commitment within the EFA and the Department will be vital to their success. I intend to further explore EFA's capital expenditure as part of my Value for Money work programme.

42 In respect of the land and buildings recognition qualification, I previously recommended that the Department and EFA work with HM Treasury to seek a solution to identify the school estate and appropriate accounting at the Whole of Government Accounts level. I continue to recognise that a centrally coordinated review of all land and building ownership and leasing arrangements would be inefficient and costly. Instead, I recommend that the Department establish a longer term plan to investigate the sources of information on the school estate that may already exist within the Department, the EFA, the academy trusts and within local authorities and whether these data sources and processes such as the pre-conversion checks that occur before a school becomes an academy, could be used to begin to establish records of ownership.

43 As part of the process of preparing the dry run Sector Report and considering conditions set out by HM Treasury and Parliament, I further recommend that:

- In order to prevent any erosion of Parliamentary accountability, significant and immediate improvements are made to the Department's forecasts and management information to ensure in-year monitoring of spend is improved. As I have noted in my Report, there are weaknesses in the Department's ability to forecast spend accurately for the group.
- The Department's proposals to allow the results of academy trusts to be incorporated into the Whole of Government Accounts on a more timely basis should be developed fully and I will continue to monitor these proposals to ensure that the Department produces an acceptable methodology.
- The Department should satisfy itself that it has the capacity to deliver effectively a dry run Sector Report in summer 2016 alongside the existing group financial statements consolidating academy trusts' financial results.

Sir Amyas C E Morse **7 April 2016**

Comptroller and Auditor General

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

Consolidated Statement of Parliamentary Supply

for the year ended 31 March 2015

Summary of resource and capital outturn 2014-15

								2014-15	2013-14
				Estimate			Outturn	Voted	Outturn
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Outturn compared with Estimate: saving/ (excess)	Total Restated
		£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit									
- Resource	S2	54,077,297	-	54,077,297	53,612,464	-	53,612,464	464,833	51,889,838
- Capital		4,756,177	-	4,756,177	4,787,405	-	4,787,405	(31,228)	3,603,611
Annually Managed Expenditure									
- Resource	S2	650,213	-	650,213	751,579	-	751,579	(101,366)	401,919
- Capital		-	-	-	-	-	-	-	-
Total Budget		**59,483,687**	**-**	**59,483,687**	**59,151,448**	**-**	**59,151,448**	**332,239**	**55,895,368**
Non-Budget									
- Resource		-	-	-	3,072,871	-	3,072,871	(3,072,871)	-
Total Non-Budget		**-**	**-**	**-**	**3,072,871**	**-**	**3,072,871**	**(3,072,871)**	**-**
Total		**59,483,687**	**-**	**59,483,687**	**62,224,319**	**-**	**62,224,319**	**(2,740,632)**	**55,895,368**
Total Resource		**54,727,510**	**-**	**54,727,510**	**57,436,914**	**-**	**57,436,914**	**(2,709,404)**	**52,291,757**
Total Capital		**4,756,177**	**-**	**4,756,177**	**4,787,405**	**-**	**4,787,405**	**(31,228)**	**3,603,611**
Total		**59,483,687**	**-**	**59,483,687**	**62,224,319**	**-**	**62,224,319**	**(2,740,632)**	**55,895,368**

Net cash requirement

Note	2014-15 Estimate £000	Outturn £000	2014-15 Outturn compared with Estimate: saving/ (excess) £000	2013-14 Outturn £000
S4	**58,327,896**	**57,166,630**	**1,161,266**	**55,846,551**

Administration costs

Note	2014-15 Estimate £000	Outturn £000	2013-14 Outturn Restated £000
S3.2	**322,958**	**322,496**	**348,656**

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Consolidated Statement of Parliamentary Supply (continued)

The Department has incurred the following Excess Votes: £0.1 billion on RAME, £0.03 billion on CDEL; it also incurred a £3.1 billion Excess Vote on Non-Budget, primarily because of the restatements described in Note 2 to the Accounts. The Department will seek Parliamentary approval by way of an Excess Vote in the next *Supply and Appropriation Act*. Further details on the Excess are provided within the Parliamentary accountability report (paragraph 6.1).

The Department has prior year adjustments (PYAs) resulting from a number of reasons; more information is provided in Note 2 to the Accounts. It is proper for the Department to seek Parliamentary authority for the provision that should have been sought previously. In 2014-15, the following such PYAs have been made, which have been included within voted Supply in the estimate:

Description	Resource/ Capital	DEL/AME	Amount
			£000
Prior year adjustment – NCTL bursary grant and asset impairments and revaluations	Resource	DEL	(86,951)
Prior year adjustment – asset impairments and revaluations	Resource	AME	3,117,488
Prior year adjustment –assets under construction	Capital	DEL	42,334
			3,072,871

Explanation of variances between Estimate and Outturn are given in the Commentary on significant variances between Estimate and Outturn (paragraph 2.17).

The notes on pages 135 to 144 form part of this Statement of Parliamentary Supply.

Notes to the Accounts (Statement of Parliamentary Supply)

S1. Accounting policies

The Statement of Parliamentary Supply (SoPS) and supporting notes have been prepared in accordance with the 2014-15 *Government Financial Reporting Manual* (FReM) issued by HM Treasury (HMT). The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2014-15 *Consolidated Budgeting Guidance* and *Supply Estimates Guidance Manual*.

S1.1 Accounting convention

The SoPS and related notes are presented consistently with HMT budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework *European System of Accounts* (ESA 2010). ESA 2010 is in turn consistent with the *System of National Accounts* (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the SoPS and related notes have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The government's objectives for fiscal policy are set out in the *Charter for Budget Responsibility*. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences. A reconciliation of the Department's outturn as recorded in the SoPS compared to the IFRS-based Statement of Comprehensive Net Expenditure (SoCNE) is provided at Note S3.1

S1. Accounting policies (continued)

S1.3 PFI and other service concession arrangements

The National Accounts basis for recognising service concession arrangements is broadly similar to UK-GAAP, applying a risk-based test to determine the financial reporting. IFRS-based recognition of service concession arrangements (IFRIC 12) is determined using control tests, which can result in a different on/off balance sheet treatment.

Capital grants

Grant expenditure used for capital purposes is treated as capital (CDEL) in the SoPS. Under IFRS, as applied by the FReM, there is no distinction between capital grants and other grants, and they are treated as an item of expenditure in the SoCNE.

Receipts in excess of HMT agreement

This applies where HMT has agreed a limit to income retainable by the Group, with any excess income scoring outside of budgets, and consequently outside of the SoPS. IFRS-based accounts will record all of the income, regardless of the budgetary limit. This situation may arise in the following areas:

- profit/loss on disposal of assets;
- income generation above Group's Spending Review settlements; and
- income received above netting-off agreements.

Provisions - administration and programme expenditure

Provisions recognised in IFRS-based accounts are not recognised as expenditure for National Accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both resource accounting and National Accounts, additional data entries are made in the SoPS across Annually Managed Expenditure (AME) and Departmental Expenditure Limit (DEL) control totals, which do not affect the SoCNE. At the initial take up of a provision, the expenditure will be scored against AME, whilst subsequent release of the provision will be charged against programme or administration DEL, depending on the nature of the provision. As the administration control total is a sub-category of DEL, administration and programme expenditure reported in the SoPS will differ from that reported in the IFRS-based accounts. A reconciliation is provided in Note S3.2.

Classification and presentation of administration and programme expenditure

SoCNE is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or programme follows the definition of administration costs set out by HMT in its Consolidated Budgeting Guidance.

S1. Accounting policies (continued)

S1.7 Classification and presentation of administration and programme expenditure (continued)

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

Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Group, except for the staff costs associated with European Schools Teachers and IT front line staff, which relate directly to the front line delivery of specific programmes. However, the Group has received exemptions from HMT to treat the academies programme as programme costs, which results in all costs incurred in the running of its academy schools being excluded from the administration budget regime. Other programme spend includes costs associated with these programmes: national pupil database, education advisers, local authority brokers and research costs.

Intra-Group elimination

The SoPS is prepared to disclose the Group's outturn against the Supply Estimate voted by Parliament against each budgetary control limit. The statement analyses the net expenditure between resource (Note S2.1) and capital (Note S2.2) for both DEL and AME budget classifications and reports the Estimate and outturn for non-voted expenditure. To ensure that the Group is reporting its outturn on this basis, the accounting policy is that reported outturn in SoPS is only recorded when it leaves the Group boundary. A reconciliation of the SoPS outturn compared to that of the IFRS-based SoCNE is provided in Note S3.1.

In keeping with the principles of group reporting, intra-group transactions are eliminated. Due to the lack of coterminous year ends across the Group mentioned elsewhere in this document, transactions which could not be fully eliminated due to their timing are not included within the SoPS.

Cash transferred from abolished NDPBs

The Department manages its cash in line with HMT's guidance on Managing Public Money. On closure of an NDPB, the Department put in place arrangements to ensure the orderly winding up of the NDPB. In particular, it will ensure that the assets and liabilities of the NDPB are passed to any successor organisation and accounted for properly. In the event that there is no successor organisation, the assets and liabilities should revert to the sponsor department.

The Department gains specific approval from HMT to use the cash transferred from abolished NDPBs to reduce its own drawn in year cash supply. This reduces the administrative burden of transferring it back to HMT and to ensure propriety and regularity of managing the cash. A reconciliation is provided in Note S4.

S1. Accounting policies (continued)

S1.10 Gains and losses on conversion of academy schools

All gains and losses on conversion of schools to academies are recognised in the SoCNE. However, for the purpose of SoPS, only gains on conversion of non-LA schools are included since these represent new assets and liabilities to the public sector. Consequently, the recognition of these gains or losses for the first time into the government accounting boundary is shown as capital gains or losses in Note S2.2. Gains or losses on conversion of LA schools are not recognised in Parliamentary statements as the relevant outturns have been recognised in previous years elsewhere within government accounts.

S1.11 Prior year adjustments

PYAs resulting from an error in previous recording, or from an accounting policy change initiated by the Department, need to be voted by Parliament in the current year, whereas in IFRS-based accounts (IAS 8) they are treated as adjustments to previous years. PYAs resulting from a change in accounting policy brought in by a new or modified accounting standard are not included in Estimates, so there is no misalignment.

Further information on the restatements is provided in Note 2 to the Accounts.

The SoPS for the prior year has been restated to exclude CAFCASS following a machinery of government change. The adjusted lines of SoPS are shown below:

	Published 2013-14 Group £000	Machinery of Government Changes £000	Restated £000
Departmental Expenditure Limit			
Resource	52,013,369	(123,531)	51,889,838
Capital	3,605,474	(1,863)	3,603,611
Annually Managed Expenditure			
Resource	408,990	(7,071)	401,919
Capital	-	-	-
Total Budget	**56,027,833**	**(132,465)**	**55,895,368**
Net cash requirement	**55,846,551**	**-**	**55,846,551**
Administration costs	**359,876**	**(11,220)**	**348,656**

S2. Net outturn

S2.1 Analysis of net resource outturn by section

										2014-15	2013-14
	Outturn							Estimate			Outturn
	Administration			Programme							
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000	Total £000	Net Total £000	Net compared to Estimate £000	Net total compared to Estimate, adjusted for virements £000	Total Restated £000
Spending in Departmental Expenditure Limits (DEL)											
Voted expenditure											
Activities to Support all Functions	233,414	(7,973)	225,441	29,335	(5,500)	23,835	249,276	255,662	6,386	10,010	273,101
School Infrastructure and Funding of Education	-	-	-	103,549	(800)	102,749	102,749	151,823	49,074	49,074	128,050
Education Standards, Curriculum and Qualifications	-	-	-	206,691	(70,605)	136,086	136,086	219,729	83,643	83,643	174,017
Children's Services and Departmental Strategy:											
Department	-	-	-	351,177	(32)	351,145	351,145	356,738	5,593	5,593	302,469
NDPB (net)	1,856	-	1,856	900	-	900	2,756	2,924	168	183	2,045
Standards and Testing Agency	5,629	-	5,629	37,706	(85)	37,621	43,250	45,351	2,101	2,101	42,270
National College for Teaching Leadership	18,389	(48)	18,341	299,384	(4,597)	294,787	313,128	402,821	89,693	89,693	397,062
Education Funding Agency – excluding Academy Trusts	71,229	-	71,229	37,609,898	(16,685)	37,593,213	37,664,442	37,808,721	144,279	140,640	37,951,522
Academy Trusts	-	-	-	14,749,632	-	14,749,632	14,749,632	14,833,528	83,896	83,896	12,619,302
Total spending in DEL	**330,517**	**(8,021)**	**322,496**	**53,388,272**	**(98,304)**	**53,289,968**	**53,612,464**	**54,077,297**	**464,833**	**464,833**	**51,889,838**
Spending in Annually Managed Expenditure (AME)											
Voted expenditure											
Activities to Support all Functions:											
Department	-	-	-	(5,289)	-	(5,289)	(5,289)	(12,281)	(6,992)	(6,992)	(9,823)
NDPB	-	-	-	-	-	-	-	-	-		(17)
Executive Agencies	-	-	-	8,080	-	8,080	8,080	5,494	(2,586)	(2,586)	(799)
Academies (net)	-	-	-	748,788	-	748,788	748,788	657,000	(91,788)	(91,788)	412,558
Total spending in AME	**-**	**-**	**-**	**751,579**	**-**	**751,579**	**751,579**	**650,213**	**(101,366)**	**(101,366)**	**401,919**
Total Budget	**330,517**	**(8,021)**	**322,496**	**54,139,851**	**(98,304)**	**54,041,547**	**54,364,043**	**54,727,510**	**363,467**	**363,467**	**52,291,757**

S2. Net outturn (continued)

S2.1 Analysis of net resource outturn by section (continued)

										2014-15	2013-14
	Outturn							Estimate			Outturn
	Administration			Programme							
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000	Total £000	Net Total £000	Net total compared to Estimate £000	Net total compared to Estimate, adjusted for virements £000	Total Restated £000
Total Budget	**330,517**	**(8,021)**	**322,496**	**54,139,851**	**(98,304)**	**54,041,547**	**54,364,043**	**54,727,510**	**363,467**	**363,467**	**52,291,757**
Non-Budget											
Voted expenditure											
Prior year adjustments	-	-	-	3,072,871	-	3,072,871	3,072,871	-	(3,072,871)	(3,072,871)	-
Total Non-Budget	**-**	**-**	**-**	**3,072,871**	**-**	**3,072,871**	**3,072,871**	**-**	**(3,072,871)**	**(3,072,871)**	**-**
Total	**330,517**	**(8,021)**	**322,496**	**57,212,722**	**(98,304)**	**57,114,418**	**57,436,914**	**54,727,510**	**(2,709,404)**	**(2,709,404)**	**52,291,757**

S2. Net outturn (continued)

S2.2 Analysis of net capital outturn by section

						2014-15	2013-14
			Outturn		Estimate		Outturn
	Gross £000	Income £000	Net £000	Net £000	Net total compared to Estimate £000	Net total compared to Estimate, adjusted for virements £000	Net Restated £000
Spending in Departmental Expenditure Limits (DEL)							
Voted expenditure							
Activities to Support all Functions	9,005	(426)	8,579	15,140	6,561	-	2,381
School Infrastructure and Funding of Education	1,822	(49)	1,773	14,800	13,027	-	(4,956)
Education Standards, Curriculum and Qualifications	-	-	-	-	-	-	-
Children's Services and Departmental Strategy:							
Department	-	-	-	-	-	-	(28)
NDPB	43	-	43	-	(43)	-	44
Standards and Testing Agency	-	-	-	-	-	-	-
National College for Teaching Leadership	227	(300)	(73)	-	73	-	-
Education Funding Agency – excluding Academy Trusts	2,992,610	-	2,992,610	4,204,024	1,211,414	-	2,893,640
Academy Trusts	1,784,473	-	1,784,473	522,213	(1,262,260)	(31,228)	712,530
Total spending in DEL	**4,788,180**	**(775)**	**4,787,405**	**4,756,177**	**(31,228)**	**(31,228)**	**3,603,611**
Voted expenditure							
Activities to Support all Functions:							
Department	-	-	-	-	-	-	-
NDPB	-	-	-	-	-	-	-
Executive Agencies	-	-	-	-	-	-	-
Total Budget	**4,788,180**	**(775)**	**4,787,405**	**4,756,177**	**(31,228)**	**(31,228)**	**3,603,611**

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

S3. Reconciliation of outturn to net operating cost and against administration budget

S3.1 Reconciliation of net resource outturn to net operating cost

		2014-15 Outturn £000	2013-14 Outturn Restated £000
Total resource outturn in Statement of Parliamentary Supply			
Budget		54,364,043	52,291,757
Non-Budget		3,072,871	-
		57,436,914	**52,291,757**
Add:	Capital grant	2,264,514	2,170,767
	Grants disbursed by Department not yet recognised by ATs	(407,007)	132,402
Less:	Income payable to the Consolidated Fund	(42)	(1,587)
	Cash transferred from NDPBs closed in 2011-12	-	(3,429)
	Other capital gains non-LA converters:		
	in-year converters	(911,171)	(870,975)
	settlement	744	(47,273)
Prior year adjustments		(3,072,871)	3,164,506
Net operating cost in Consolidated SoCNE		**55,311,081**	**56,836,168**

Outturn against final administration budget and administration net operating cost

		2014-15 Outturn £000	2013-14 Outturn Restated £000
Estimate	– Administration costs limit	**322,958**	**378,702**
Outturn	– Gross administration costs	330,517	353,825
Outturn	– Gross income relating to administration	(8,021)	(5,169)
Outturn	– Net administration costs	**322,496**	**348,656**
Reconciliation to operating costs:			
Less: provisions utilised (transfer from programme)		(2,013)	(8,737)
Reconciling item: Consolidated Fund extra receipts		(42)	(1,587)
Administration net operating costs		**320,441**	**338,332**

S4. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/ (excess) £000
Resource Outturn	S2.1	54,727,510	54,364,043	363,467
Resource Outturn Non-Budget		-	3,072,871	(3,072,871)
Capital Outturn	S2.2	4,756,177	4,787,405	(31,228)
		59,483,687	**62,224,319**	**(2,740,632)**
Accruals to cash adjustments				
Adjustments to remove non-cash items:				
Prior year adjustments		-	(3,072,871)	3,072,871
Depreciation, amortisation and impairment		(26,020)	(21,895)	(4,125)
New provision and adjustment to previous provision		(11,574)	(20,601)	9,027
Other non-cash adjustments		(520)	(1,286)	766
Adjustment for NDPBs:				
Remove voted resource and capital		(16,030,465)	(17,282,893)	1,252,428
Adjustment for items recognised in voted capital expense for Academies but paid to third parties		-	860,252	(860,252)
Add cash grant in aid		14,894,427	14,552,175	342,252
Adjustments to reflect movements in working balances:				
Movement in receivables		-	45,648	(45,648)
Movement in payables		-	(134,963)	134,963
Use of provision	19	18,361	18,745	(384)
Net cash requirement		**58,327,896**	**57,166,630**	**1,161,266**

The Group funds a significant capital programme within the academies sector. While most of those payments are made directly to the Group's ATs, some are also made direct to suppliers of the building programme for academies, on behalf of ATs. Accordingly, while the payments to third parties are recorded as capital grant for Academies in the Group SoCNE and in Note S2.1 to the SoPS, they are adjusted for above in the adjustments for NDPBs to be excluded from the above reconciliation.

S5. Income payable to the Consolidated Fund

	Outturn 2014-15		Outturn 2013-14	
	Income £000	Receipts £000	Income £000	Receipts £000
Operating income outside the ambit of the Estimate	42	42	1,587	1,587
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total income payable to the Consolidated Fund	**42**	**42**	**1,587**	**1,587**

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

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2015

	Note	Department £000	Department & Agencies £000	2014-15 Group £000	Department Restated £000	Department & Agencies Restated £000	2013-14 Group Restated £000
Administration costs							
Staff costs	4	122,581	192,798	194,225	122,774	188,702	190,120
Other administration costs	5	108,818	133,950	134,285	113,046	154,803	154,976
Operating income	7	(54,965)	(8,421)	(8,069)	(52,554)	(7,434)	(6,764)
Programme costs							
Staff costs	4	7,476	8,422	11,997,506	8,560	23,987	10,067,652
Programme costs	6	731,443	56,944,490	46,210,840	675,090	55,434,681	49,540,333
Operating income	7	(76,937)	(98,613)	(2,307,279)	(48,561)	(74,803)	(2,181,418)
Net loss/(gain) on conversion of non-LA schools:	27						
in-year conversions		-	-	(911,171)	-	-	(881,470)
settlements		-	-	744	-	-	(47,273)
Corporation tax		-	-	-	-	-	12
Net operating costs		**838,416**	**57,172,626**	**55,311,081**	**818,355**	**55,719,936**	**56,836,168**
Total expenditure		970,318	57,279,660	58,536,856	919,470	55,802,173	59,953,093
Total income	7	(131,902)	(107,034)	(2,315,348)	(101,115)	(82,237)	(2,188,182)
Total gain	27	-	-	(910,427)	-	-	(928,743)
Net operating costs		**838,416**	**57,172,626**	**55,311,081**	**818,355**	**55,719,936**	**56,836,168**
Non-operating costs							
Net (gain)/loss on:							
transfer of function		7,301	(3,284)	-	-	-	-
conversion of LA schools:	27						
in-year conversions		-	-	(2,628,757)	-	-	(3,309,017)
settlements		-	-	(78,087)	-	-	(80,963)
Net costs		**845,717**	**57,169,342**	**52,604,237**	**818,355**	**55,719,936**	**53,446,188**
Other comprehensive net expenditure							
Items that will not be reclassified to net operating costs							
Net (gain)/loss on:							
revaluation of property, plant and equipment	8	339	(1,625)	(1,805,435)	448	448	(340,312)
revaluation of intangible assets	9	(162)	(162)	(191)	660	660	660
Actuarial loss/(gain) on defined benefit pension scheme	21	-	-	954,209	-	-	(71,863)
Other recognised (gains)/losses		-	-	(4,195)	-	-	2,713
Items that may be reclassified to net operating costs							
Fair value gain on investments	11	-	-	(2,977)	-	-	(3,202)
Total comprehensive expenditure		**845,894**	**57,167,555**	**51,745,648**	**819,463**	**55,721,044**	**53,034,184**

All income and expenditure reported in the Statements of Comprehensive Net Expenditure are derived from continuing operations. The restatement is discussed in Note 2.

The notes on pages 151 to 238 form part of these Accounts.

Consolidated Statement of Financial Position

as at 31 March 2015

	Note	2015 Group £000	2014 Group Restated £000	2013 Group Restated £000
Non-current assets				
Property, plant and equipment	8	35,501,997	28,738,215	26,095,749
Intangible assets	9	30,423	27,619	37,369
Investments	11	134,967	98,938	55,580
Financial assets	12	-	-	511
Receivables	15	16,440	12,487	5,715
		35,683,827	**28,877,259**	**26,194,924**
Current assets				
Assets classified as held for sale	13	5,195	3,500	-
Inventories	14	10,183	9,489	7,348
Receivables	15	1,048,738	885,096	458,326
Financial assets	12	-	-	47
Cash and cash equivalents	16	3,038,199	2,595,063	2,008,392
		4,102,315	**3,493,148**	**2,474,113**
Total assets		**39,786,142**	**32,370,407**	**28,669,037**
Current liabilities				
Payables	17	(2,536,837)	(2,057,399)	(1,540,830)
Provisions	19	(33,744)	(22,332)	(27,450)
		(2,570,581)	**(2,079,731)**	**(1,568,280)**
Total assets less current liabilities		**37,215,561**	**30,290,676**	**27,100,757**
Non-current liabilities				
Payables	18	(45,237)	(49,805)	(42,651)
Provisions	19	(148,310)	(157,894)	(162,172)
Pension deficits	21	(3,965,380)	(2,427,814)	(1,911,299)
		(4,158,927)	**(2,635,513)**	**(2,116,122)**
Assets less liabilities		**33,056,634**	**27,655,163**	**24,984,635**
Taxpayers' equity				
General Fund		(294,788)	(307,186)	(444,053)
Revaluation Reserve		2,365,906	561,636	224,531
Charitable Fund		30,985,516	27,400,713	25,204,157
Total equity		**33,056,634**	**27,655,163**	**24,984,635**

Chris Wormald 31 March 2016
Accounting Officer

The restatement is discussed in Note 2.

The notes on pages 151 to 238 form part of these Accounts.

Statement of Financial Position for the Department and Department & Agencies

as at 31 March 2015

	Note	2015 Department £000	2015 Department & Agencies £000	2014 Department £000	2014 Department & Agencies Restated £000	2013 Department £000	2013 Department & Agencies Restated £000
Non-current assets							
Property, plant and equipment	8	65,323	197,752	67,484	109,806	92,759	93,769
Intangible assets	9	17,142	25,534	22,999	22,999	34,922	35,383
Investments	11	-	-	-	-	-	-
Financial assets	12	438	6,720	5,178	5,178	5,104	5,104
Receivables	15	5,599	22,446	5,623	6,957	5,646	5,935
		88,502	**252,452**	**101,284**	**144,940**	**138,431**	**140,191**
Current assets							
Assets classified as held for sale	13	1,000	5,195	3,500	3,500	-	-
Inventories	14	-	-	-	-	-	46
Receivables	15	21,442	132,962	5,791	102,803	11,866	52,701
Financial assets	12	39	39	2,649	2,649	2,813	2,813
Cash and cash equivalents	16	86,089	233,738	40,427	124,246	15,957	147,391
		108,570	**371,934**	**52,367**	**233,198**	**30,636**	**202,951**
Total assets		**197,072**	**624,386**	**153,651**	**378,138**	**169,067**	**343,142**
Current liabilities							
Payables	17	(345,673)	(904,946)	(193,699)	(640,113)	(391,680)	(577,990)
Provisions	19	(18,662)	(29,444)	(17,307)	(19,828)	(21,979)	(26,157)
		(364,335)	**(934,390)**	**(211,006)**	**(659,941)**	**(413,659)**	**(604,147)**
Total assets less current liabilities		**(167,263)**	**(310,004)**	**(57,355)**	**(281,803)**	**(244,592)**	**(261,005)**
Non-current liabilities							
Payables	18	-	-	-	-	-	-
Provisions	19	(148,112)	(149,031)	(155,933)	(156,791)	(161,261)	(161,261)
Pension deficits	21	-	-	-	-	-	-
		(148,112)	**(149,031)**	**(155,933)**	**(156,791)**	**(161,261)**	**(161,261)**
Assets less liabilities		**(315,375)**	**(459,035)**	**(213,288)**	**(438,594)**	**(405,853)**	**(422,266)**
Taxpayers' equity							
General Fund		(331,900)	(477,524)	(231,345)	(456,651)	(427,564)	(443,978)
Revaluation Reserve		16,525	18,489	18,057	18,057	21,711	21,712
Charitable Fund		-	-	-	-	-	-
Total equity		**(315,375)**	**(459,035)**	**(213,288)**	**(438,594)**	**(405,853)**	**(422,266)**

Chris Wormald 31 March 2016

Accounting Officer

The restatement is discussed in Note 2.

The notes on pages 151 to 238 form part of these Accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2015

	Note	Department £000	Department & Agencies £000	2014-15 Group £000	Department £000	Department & Agencies £000	2013-14 Group Restated £000
Cash outflow from operating activities	**28**	**(872,600)**	**(57,054,629)**	**(55,060,682)**	**(990,065)**	**(55,639,663)**	**(53,807,788)**
Cash flows from investing activities							
Purchase of:							
property, plant and equipment		(4,653)	(99,912)	(1,885,724)	(560)	(41,873)	(1,502,804)
intangible assets		(4,351)	(13,115)	(11,683)	(2,055)	(2,055)	(4,534)
investments		-	-	(65,818)	-		(33,701)
Proceeds on disposal of:							
property, plant and equipment		-	-	30,169	-	-	21,709
intangible assets		-	-	17	-	-	58
investments		-	-	34,958	-	-	9,770
Repayments of loans from other bodies		7,350	1,068	-	92	91	91
Cash outflow from investing activities		**(1,654)**	**(111,959)**	**(1,898,081)**	**(2,523)**	**(43,837)**	**(1,509,411)**
Cash flows from financing activities							
From the Consolidated Fund (Supply):							
current year		57,277,667	57,277,667	57,277,667	55,808,136	55,808,136	55,808,136
Exchequer supply to departmental bodies		(56,356,164)	-	-	(54,647,204)	-	-
Machinery of Government changes		-	-	-	(141,084)	(141,084)	(141,084)
Cash acquired on conversion of Academy Trust schools:							
in-year conversions		-	-	116,005	-	-	145,251
settlements		-	-	17,391	-	-	87,480
Borrowings (repaid)/ advanced		-	-	(10,866)	-	-	13,444
Capital element of payments in respect of finance leases		-	-	2,626	-	-	(2,524)
Cash inflow from financing activities		**921,503**	**57,277,667**	**57,402,823**	**1,019,848**	**55,667,052**	**55,910,703**
Net increase/(decrease) in cash and cash equivalents before adjustment for receipts and payments to the Consolidated Fund		**47,249**	**111,079**	**444,060**	**27,260**	**(16,448)**	**593,504**
Payments of amounts due to the Consolidated Fund		(1,587)	(1,587)	(1,587)	(2,790)	(2,790)	(2,790)
Net increase/(decrease) in cash and cash equivalents after adjustment for receipts and payments to the Consolidated Fund		**45,662**	**109,492**	**442,473**	**24,470**	**(19,238)**	**590,714**
Cash and cash equivalents at the beginning of the year	**16**	**40,427**	**124,246**	**2,593,470**	**15,957**	**143,484**	**2,002,756**
Cash and cash equivalents at the end of the year		**86,089**	**233,738**	**3,035,943**	**40,427**	**124,246**	**2,593,470**

The restatement is discussed in Note 2.

The notes on pages 151 to 238 form part of these Accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2015

	Note	General Fund £000	Revaluation Reserve £000	Charitable Fund £000	Taxpayers' Equity £000
Balance at 31 March 2013 before restatement		**(440,975)**	**144,708**	**24,972,598**	**24,676,331**
Restatement		(3,078)	79,823	231,559	308,304
Balance at 31 March 2013 after restatement		**(444,053)**	**224,531**	**25,204,157**	**24,984,635**
Net Parliamentary Funding:					
– drawn down		55,808,136	-	-	55,808,136
– deemed		140,695	-	-	140,695
Supply payable adjustment		(102,279)	-	-	(102,279)
CFERs payable to the Consolidated Fund	S5	(1,587)	-	-	(1,587)
Comprehensive expenditure for the year		(55,570,392)	339,652	2,196,556	(53,034,184)
Machinery of Government change		(141,084)	-	-	(141,084)
Non-cash adjustments					
Auditor's remuneration	5	835	-	-	835
Movements in reserves					
Transfers between reserves		2,547	(2,547)	-	-
Other General Fund movements		(4)	-	-	(4)
Balance at 31 March 2014 after restatement		**(307,186)**	**561,636**	**27,400,713**	**27,655,163**
Balance at 31 March 2014 before restatement		**(237,581)**	**421,396**	**30,351,346**	**30,535,161**
Restatement		(69,605)	140,240	(2,950,633)	(2,879,998)
Balance at 31 March 2014 after restatement		**(307,186)**	**561,636**	**27,400,713**	**27,655,163**
Net Parliamentary Funding:					
– drawn down		57,277,667	-	-	57,277,667
– deemed		102,279	-	-	102,279
Supply payable adjustment		(233,694)	-	-	(233,694)
CFERs payable to the Consolidated Fund	S5	(42)	-	-	(42)
Comprehensive expenditure for the year		(57,136,071)	1,805,626	3,584,797	(51,746,648)
Non-cash adjustments					
Auditor's remuneration	5	860	-	-	860
Movements in reserves					
Transfers between reserves		1,356	(1,356)	-	-
Other fund movements		43	-	6	49
Balance at 31 March 2015		**(294,788)**	**2,365,906**	**30,985,516**	**33,056,634**

The General Fund represents total assets less liabilities, to the extent that the total is not represented by other reserves and financing items for the Department and its EAs and NDPB. The Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to property, plant and equipment, and intangible assets (see Notes 8 and 9). The Charitable Fund represents total assets less liabilities related to the Group's schools less unrealised revaluation adjustments to property, plant and equipment, and intangible assets (see Notes 8 and 9).

The notes on pages 151 to 238 form part of these Accounts.

Department & Agencies Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2015

	Note	General Fund £000	Revaluation Reserve £000	Taxpayers' Equity £000
Balance at 31 March 2013 before restatement		**(253,959)**	**21,712**	**(232,247)**
Restatement		(190,019)	-	(190,019)
Balance at 31 March 2013 after restatement		(443,978)	21,712	(422,266)
Net Parliamentary Funding:				
- drawn down		55,808,136	-	55,808,136
- deemed		140,695	-	140,695
Supply payable adjustment		(102,279)	-	(102,279)
CFERs payable to the Consolidated Fund		(1,587)	-	(1,587)
Comprehensive expenditure for the year		(55,719,936)	(1,108)	(55,721,044)
Machinery of Government change		(141,084)	-	(141,084)
Non-cash adjustments				
Auditor's remuneration	5	835	-	835
Movements in reserves				
Transfers between reserves		2,547	(2,547)	-
Balance at 31 March 2014 after restatement		**(456,651)**	**18,057**	**(438,594)**
Balance at 31 March 2014 before restatement		**(294,515)**	**18,057**	**(276,458)**
Restatement		(162,136)	-	(162,136)
Balance at 31 March 2014 after restatement		**(456,651)**	**18,057**	**(438,594)**
Net Parliamentary Funding:				
– drawn down		57,277,667	-	57,277,667
– deemed		102,279	-	102,279
Supply payable adjustment		(233,694)	-	(233,694)
CFERs payable to the Consolidated Fund		(42)	-	(42)
Comprehensive expenditure for the year		(57,169,342)	1,787	(57,167,555)
Non-cash adjustments				
Auditor's remuneration	5	860	-	860
Movements in reserves				
Transfers between reserves		1,355	(1,355)	-
Other General Fund movement		44	-	44
Balance at 31 March 2015		**(477,524)**	**18,489**	**(459,035)**

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

The Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to property, plant and equipment, and intangible assets (see Notes 8 and 9).

The notes on pages 151 to 238 form part of these Accounts.

Notes to the Accounts

1 Accounting policies

These accounts have been prepared in accordance with the 2014-15 *Government Financial Reporting* Manual (FReM) issued by HM Treasury (HMT), as set out in a statutory Accounts Direction issued pursuant to section 5(2) of the *Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2014*. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context; except for the departure from *IFRS10 Consolidated Financial Statements* as noted in section 1.5.1. 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 2014-15 are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

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

1.1 Accounting convention

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

1.2 Going concern

The Department for Education AR&A 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 Business combinations

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

1 Accounting policies (continued)

1.3 Business combinations (continued)

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

Note 27 has further details of both combinations and the net assets and liabilities brought into the Group.

1.4 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 are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an on-going basis. Management has specifically made such judgements on the inclusion of academy trusts, the recognition of their land and buildings, accounting for capital expenditure and assets under construction, valuation of land and buildings, valuation of the pension deficit, and accounting for the migration of academy trust opening balances and the pro rate debtor (which is the net working capital impact of applying the pro rate adjustment to an academy trust's reported performance in its first August accounts).

The Group has not offered any sensitivity analysis for these judgements other than on the use of the proxy (refer to Annex D paragraph D36) for academy trusts reporting to 31 August 2014.

1.4.1 Inclusion of academy trusts

Management have made judgements regarding how ATs are consolidated into these accounts and how to reflect the financial position of the Group for the period covered by these accounts. The most significant judgement concerns the lack of coterminous year-ends; and how to include academy trusts whose own accounts are prepared to 31 August. This issue does not affect the population of academy trusts that have not prepared accounts as at 31 August 2014, as their unaudited results have been included in the consolidated accounts through an accounting return as at 31 March 2015.

1.4.2 Recognition of academy trusts' land and buildings

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

1 Accounting policies (continued)

1.4 Critical accounting judgements and key sources of estimation uncertainty (continued)

1.4.2 Recognition of academy trusts' land and buildings (continued)

Accordingly, management decided to recognise all academy trusts' land and buildings to reflect the reality that all academy trusts operate from buildings; and the omission of such buildings and the land on which they stand from the Group's Statement of Financial Position (SoFP) would significantly understate the assets controlled and managed by the Group. Therefore, the Group commissioned valuations for all academy trusts' land and buildings consistent with the Group's accounting policy for property, plant and equipment. The value of land and buildings for academies included in Note 8 is £33.3 billion at 31 March 2015 (2014 (restated): £27.1 billion).

1.4.3 Accounting for capital expenditure and assets under construction

The structure of the Group and the scale of its capital programme, including the Education Funding Agency's capital programme and activity funded by individual academy trusts, means that accounting for capital expenditure is inherently complex for the Group and involves judgements both over the capitalisation of accounting and in alignment of accounting for non-coterminous year-ends between academy trusts and the Group. As detailed elsewhere the Group has reviewed its accounting for AuC in the year and restated comparatives.

1.4.4 Valuation of land and buildings

The Group holds land and buildings at valuation, which requires the application of estimates and judgements. See Note 1.9 for more details about the property, plant and equipment accounting policy and Note 2 for details of restatements in respect of valuations and land indexation.

Initial valuations are performed by surveyors in accordance with the Royal Institute of Chartered Surveyors' (RICS) *Appraisal and Valuation Manual* and *Building Bulletin 103 and Building Bulletin 102*. In applying this guidance, sites have been valued on a depreciated replacement cost basis for a modern equivalent asset, which involves a judgement that there are not significant instances of non-specialist or surplus assets which might be appropriately valued on other bases. The valuation of assets on initial recognition is shown in Note 8 in the Transfer on Conversion lines, which totalled £3.8 billion for 2014-15.

Building Bulletin 103 was issued in 2013-14. The Group has reassessed previous valuations performed in 2012-13 under previous guidance, and recognised a change of estimate in 2013-14 in the SoCNE (as restated) for the impact of the change in valuation guidance.

The Group re-values land and buildings every 5 years from the anniversary of their initial recognition in accordance with the policy. Between quinquennial revaluations, asset values are updated using indices. The selection of the indices used represents an accounting judgement. In the current year, the Group has changed from using indices issued by the Department for Business, Innovation and Skills to the public sector tender prices indices issued by the Office for National Statistics, as these are considered a more appropriate measure.

1 Accounting policies (continued)

1.4 Critical accounting judgements and key sources of estimation uncertainty (continued)

1.4.4 Valuation of land and buildings (continued)

The 2013-14 indexation of buildings was performed using interim indices. The final indices for 2013-14 showed significant changes. In accordance with IAS 8, these movements have been reflected in 2014-15 as a change in accounting estimate rather than restatement of comparative figures.

As discussed previously, the Group has indexed land values, using the HPI residential land index issued by LSL Acadata. The Group considers that a residential price index is the most appropriate index to use across its portfolio of assets.

1.4.5 Accounting for capital expenditure and assets under construction

The structure of the Group and the scale of its capital programme, encompassing both EFA's grant funded capital programme and activity funded by individual academy trusts, means that accounting for capital expenditure is inherently complex for the Group. The accounting involves judgements both over the capitalisation of assets under construction and in alignment of accounting for non-coterminous year ends between academy trusts and the Group. As detailed in Note 2, the Group has reviewed its accounting for assets under construction in the year and restated comparatives.

1.4.6 Pension valuation for the Local Government Pension Scheme

Local Government Pension Scheme liabilities are recognised in the SoFP – all other defined benefit schemes are unfunded multi-employer schemes for which we cannot identify the Group's share of scheme's deficit. Details of the pension deficit are shown in Note 21.

Pension assets are held at fair value. Scheme liabilities are estimated using a projected unit method and discounted at their current rate of return on a high quality corporate bond of equivalent term to the liability. All estimates are performed by actuaries in accordance with IAS 19. The actuarial loss for 2014-15 recognised in other comprehensive expenditure is £954 million (2013-14: gain of £72 million).

The Group adjusted the valuations of academy trusts' defined benefit scheme deficits to bring the valuation date and methodology into line with the group policy. See Note 1.19 for more details of the Group policy. The Group has applied all consolidation adjustments consistently across all pension schemes.

1 Accounting policies (continued)

1.4 Critical accounting judgements and key sources of estimation uncertainty (continued)

1.4.7 Inclusion of AT results on a “proxy” basis, migration of opening balances and the pro rate adjustment

The Group has based its use of ATs’ accounts to 31 August, and has apportioned ATs’ short period accounts, on the assumption an AT’s financial results for any one month are reasonably constant and can be used as a proxy for the Group’s financial year. The Group has validated this assumption through a comparison study comparing 170 ATs’ financial results for the year ending 31 August 2014 to those same ATs’ financial results for the year ending 31 March 2015. The comparison study showed a £255 million, 27% (2013-14 study: £64 million, 3%) difference between the financial results for each twelve month period.

When academy trusts’ first consolidation submission was not as at 31 August 2013 but at 31 March 2014 the academy trust would include the results generated from incorporation to 31 March in two submissions (March 2014 then August 2014). Without adjustment, the opening balances reported by the academy trusts for the Group’s financial year 2014-15 will not agree to the closing included in the prior financial year which were as at 31 March 2014 rather than the start of the academy trusts’ financial year. There were 580 academy trusts (872 academies) with results included to 31 March 2014 in 2013-14 therefore requiring adjustment for consolidation in 2014-15. To correct this, the Group has removed the closing balances at 31 March 2014 from academy trusts’ August 2014 submission to align the opening and closing balances.

The Group has then scaled up the remaining 5 month period April to August 2014 to the full 12 months to 31 March 2015 to include a full year’s activity for these academy trusts (the pro rate adjustment). A pro rate debtor is recognised for the resultant movement in net assets, which is presented in other receivables due within one year.

The impact of this adjustment in the current year has been to increase operating costs and net assets by £181 million. The Group has excluded material one-off transactions (such as recognition of assets and liabilities at conversion) from the adjustment to prevent material distortions to the Group’s reported results.

The pro rate debtor is carried forward and adjusted to reflect the asset impact of movements between August and March each year. The pro rate debtor was £203 million at 31 March 2015 (2014: £145 million).

1 Accounting policies (continued)

1.4 Critical accounting judgements and key sources of estimation uncertainty (continued)

1.4.7 Inclusion of AT results on a "proxy" basis, migration of opening balances and the pro rate adjustment (continued)

Management considers that the use of the proxy and other accounting judgements and policies described here provide the best possible representation of academy trusts' financial results for the year to 31 March 2015, given the constraints and limitations set out in the Governance Statement.

1.5 Basis of consolidation

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

The Department receives the authority to consolidate its executive agencies (EAs), NDPBs and ATs under the *Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2014*. A department's Designation Order sets out those bodies that are required to be included within a department's consolidated accounts, since all such bodies are judged to be public bodies.

Academy trusts have been classified by the Office of National Statistics as central government public sector bodies since 2004. ATs fall within the Department's Designation Order and are included within the Departmental consolidation boundary.

A list of all entities within the Departmental accounting boundary is given at Note 26. Throughout these accounts 'Department' refers to the core Department whilst 'Group' refers to the single economic entity presented in these accounts; this consists of the Department, its EAs, NDPBs and ATs.

1.5.1 AT consolidation approach

In a departure from *IFRS 10 Consolidated Financial Statements*, all members of the Group do not have coterminous year ends. ATs have financial years ending on 31 August in line with their operational year. In contrast the Department, its EAs and NDPBs have 31 March as their year end.

The Group has adopted a two-pronged approach to include ATs based on whether an AT prepared audited accounts to the previous 31 August.

For those ATs that prepared audited accounts as at 31 August 2014 (operating 4,184 academies) the Group has included the financial performance from those accounts as a representation of the twelve months to 31 March 2015. ATs submit consolidation returns as at 31 August that mirror their accounts.

1 Accounting policies (continued)

1.5 Basis of consolidation (continued)

1.5.1 AT consolidation approach (continued)

Newly incorporated operational ATs that, in accordance with the *Companies Act 2006* have not produced accounts to 31 August 2014, have submitted their results using the consolidation return from incorporation to 31 March 2015 (operating 768 academies); which have been included within the consolidation.

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

1.5.2 Consolidation adjustments

The results for those ATs reporting less than twelve month periods have been extrapolated up to align the reporting period length to the twelve months reported by the Group. Therefore, newly incorporated ATs who report short period accounts to 31 August have had their results extrapolated out to 31 March.

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

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

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

1.5.3 Accounting policy harmonisation adjustments

Where required, adjustments have been made to the ATs' accounts to align their accounting policies to those of the Group. The most significant adjustments are to the recognition and valuation of land and building assets and defined benefit pension scheme valuations. The valuations of ATs' defined benefit scheme were adjusted to bring the valuation date and methodology into line with the Group; see Note 1.19 for more details of the Group policy. All such consolidation adjustments have been applied consistently across all ATs.

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

1 Accounting policies (continued)

1.6 Adoption of amendment to FReM

There have been no significant FReM changes in 2014-15.

Accounting boundaries are adapted in the FReM so that the Group accounting boundary is based on ONS control criteria, as designated by HMT. Although the accounting standards have changed, due to the adaptation of the FReM, the impact on the Group mainly relates to the disclosure requirements under *IFRS 12 Disclosure of Interests in Other Entities*.

1.7 Early adoption

The Group has not early adopted any accounting standards in 2014-15.

1.8 IFRSs in issue but not yet effective

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

Standard	Effective	FReM Application	Impact
IFRS 13 Fair Value Measurement	Accounting periods commencing on or after 1 January 2013.	2015-16	The standard replaces the guidance on fair value measurement in existing IFRSs with a single standard. This standard defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The standard will not affect the majority of the Group's assets held at valuation, but will impact the measurement of in particular: financial instruments; and surplus land and buildings assets which it is not intended to bring back into operational use. The Group may also need to make additional disclosures.

1 Accounting policies (continued)

1.8 IFRSs in issue but not yet effective (continued)

Standard	Effective	FReM Application	Impact
IAS 36 Impairment of Assets	Accounting periods commencing on or after 1 January 2014	2015-16 Subject to review	This amendment, which seeks to address the implications of references to IFRS 13 'Fair Value Measurement', modifies some of the disclosure requirements regarding measurement of the recoverable amount of impaired assets. It clarifies the scope of certain disclosures and removes burdensome and unintended disclosure requirements without reducing the relevance and understandability of the financial information. The Group does not have many impaired assets so this is not thought to have a significant impact, to be reviewed when adopted.
IFRIC 21 Levies	Accounting periods commencing on or after 1 January 2014	2015-16	The standard is not anticipated to have a material impact upon the Group.
IFRS 15 Revenue for Contracts with Customers	Accounting periods commencing on or after 1 January 2018	Not yet confirmed	The standard provides a principles based model for accounting for revenue, which may impact the timing of recognition of income by academy trusts and lead to additional disclosures. However, it is not anticipated to have a material impact upon the Group overall.
IFRS 9 Financial Instruments	Not yet confirmed	Not yet confirmed	The standard is not anticipated to have a material impact upon the Group.

1.9 Property, plant and equipment

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

Land and buildings are measured initially at cost and are restated to fair value (depreciated replacement cost) using external professional valuations in accordance with *IAS 16 Property, Plant and Equipment* (IAS 16) every five years, and in the intervening years by use of appropriate indices supplied by 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.

1 Accounting policies (continued)

1.9 Property, plant and equipment (continued)

One of the Group's purposes is to, as appropriate, 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 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. The Group recognises AuC assets where it has control over the asset, and the right to the future economic benefit from that asset. At the time at which either or both is no longer the case, the asset is removed from the Group balance sheet.

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

If 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.

Upon conversion, the Group recalculates the carrying value of its academy land and buildings to depreciated replacement cost in order to comply with group accounting policies. The Group does not recognise this as a revaluation adjustment as the valuation was before the assets' initial recognition in the group accounts. As described more fully in the discussion in Note 8, the Group currently applies the guidance in *Building Bulletin 103* in performing revaluations.

Academy trusts operate their land and building assets through a number of routes from freehold, through leasehold to rentals. Where academy trusts' lease their land and building assets from a local authority the majority of such leases are very long (often 100 or 125 years) and there is usually only a notional peppercorn or no rental cost. To reflect the commercial and economic nature of such long low value leases the Group has classified such leases as equivalent to freehold and aggregated all building assets into a single asset class.

The Group will revalue academy trusts' land and buildings every 5 years using external professional valuations. For assets held for more than a year, the Group has applied the public sector tender prices indices issued by the Office for National Statistics (ONS) to academy buildings, and the HPI residential land index issued by LSL Acadata to academy land.

1 Accounting policies (continued)

1.10 Depreciation

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

Asset lives are in the following ranges:

- Freehold buildings 50 – 60 years
- Leasehold buildings 50 years or the lease term, whichever is shorter
- Leasehold improvements 50 years or the lease term, whichever is shorter
- Motor vehicles 3 – 7 years
- IT equipment 3 – 7 years
- Plant and machinery 3 – 20 years
- Furniture and fittings 5 – 10 years

1.11 Intangible assets

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

Asset lives are in the following ranges:

- Software licences 2 – 5 years or the licence period, whichever is shorter
- Developed software 5 years
- Non-software licences 3 years
- Other 3 – 5 years

1.12 Revaluation and impairment of non-current assets

Increases in value are credited to the Revaluation Reserve, unless it is a reversal of a previous impairment, which is credited to the SoCNE to the extent of the previous impairment and then to the Revaluation Reserve, in accordance with *IAS 36 Impairment of Assets* (IAS 36).

Impairments of revalued assets that do not result from a clear consumption of economic benefits are debited to the Revaluation Reserve up to the level of depreciated historical cost. Any excess devaluation is charged to the SoCNE. Each year, the realised element of the reserve (i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost) is transferred from the reserve to the General Fund.

1 Accounting policies (continued)

1.12 Revaluation and impairment of non-current assets (continued)

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

On disposal of a revalued asset, the balance on the Revaluation Reserve in respect of that asset becomes fully realised and is transferred to the General Fund. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are recognised in the SoCNE. All non-current assets are reviewed for impairment if circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use

1.13 Non-current assets held for sale

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell and not depreciated. They are also presented separately on the face of the SoFP and in the Notes.

1.14 Inventory

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

1.15 Financial instruments

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

1.15.1 Financial assets

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

1 Accounting policies (continued)

1.15 Financial instruments (continued)

1.15.1 Financial assets (continued)

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

Available-for-sale assets

The Group holds investments which are classified as available for sale and are carried at fair value. Fair value is calculated as the closing bid price as at the year end. Movements in the fair value are recognised in the SoCNE.

Trade and other receivables

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

Loans

Loans and receivables comprise loans within and external to the Group. The loans are not quoted on any active market and are carried at amortised cost using the effective interest method. Appropriate allowances (provisions/write-offs) for estimated irrecoverable amounts (bad debts) are recognised in the SoCNE when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated future recoverable amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits.

1.15.2 Financial liabilities

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

1 Accounting policies (continued)

1.15 Financial instruments (continued)

1.15.2 Financial liabilities (continued)

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

Trade and other payables

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

Loan liabilities

The Group is able to take out interest free loans for the purchase cost of solar panels and the Group recognises only the sums outstanding at the year end. The Group may also take out interest bearing loans with the Secretary of State's permission. The Group states such loans at their face value on initial recognition. Subsequently, the Group measures interest bearing loans at amortised cost using the effective interest method.

1.16 Research and development

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

1.17 Operating income

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

Operating income consists of two broad types:

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

Income is stated net of recoverable VAT.

1.18 Leases

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

1 Accounting policies (continued)

1.19 Pensions

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

Accordingly for funded defined benefit schemes the Group recognises a liability in respect of any deficit, being the excess of the present value of the scheme's liabilities over the value of the assets in the scheme, to the extent that the Group has a legal or constructive obligation to make good the deficit in the scheme. The pension scheme surplus (to the extent that it is considered recoverable) or deficit is recognised in full on the face of the SoFP. Actuarial gains/losses from the scheme are recognised in reserves.

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

Further details of the pension schemes are available in Notes 4 and 21.

1.20 Early departure costs

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

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

1.21 Grants

Grant financing and Grant-in-Aid
Funding to the Department's EAs and NDPBs through financing and Grant-in-Aid payments are reported on a cash basis in the period in which payments are made. Grant financing and Grant-in-Aid as well as any intra-group grants between the consolidated bodies are eliminated within the Group. However, due to lack of coterminous year ends between the Department, EAs and NDPBs with the ATs mentioned elsewhere in these accounts, some transactions could not be fully eliminated due to their timing. The value of AT transactions unable to be eliminated is (£407 million) for revenue grants and (£55 million) for capital grants.

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

1 Accounting policies (continued)

1.21 Grants (continued)

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

- Initial Teacher Training grants where grants are allocated based on provisional trainee numbers and adjusted when actual trainee numbers are known. Wherever possible adjustments are made within the financial year, or otherwise over-funding is recognised as a receivable at the end of the financial year and recovered during the following financial year.
- Time bound capital grants where a number of capital grants are subject to time constraints. Devolved formula capital for maintained schools has to be spent within a three year period. Other capital grants to local authorities have to be spent by the end of August following the end of the financial year. Profiled capital grants to ATs and capital maintenance grants to voluntary aided schools have a one year spending period.

The Group is able to recover funds if grant recipients have not spent the capital funding within the time limit specified. Where providers have further time following the end of the financial year to spend grant money, the existence of any future economic benefit cannot be deemed probable at the year end date; neither can its extent be measured reliably. The right of clawback does not therefore give rise to an asset eligible for recognition as defined by the IASB's *Framework for the Preparation and Presentation of Financial Statements*. Any related receipts are therefore offset against grant expenditure as they are received.

1.22 Provisions

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

- a legal or constructive obligation exists that will result in the transfer of economic benefit;
- the transfer is probable; and
- a reliable estimate can be made.

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

The Department applies HMT's discount rate to discount its provisions and the rates are as follows:

The real discount rate applied to cash flows of short term (0-5 years) general provisions is -1.50%, -1.05% for medium term general provisions (between 5 and 10 years) and 2.20% for long term general provisions (more than 10 years). Early departure costs provisions are discounted at 1.30% (2014: 1.80%).

1 Accounting policies (continued)

1.23 Risk protection arrangement

From 1 August 2014, academy trusts that join the Department's risk protection arrangement pay an annual per pupil fee to the Department and are covered for risks in four broad categories:

- Property damage and business interruption;
- Employers' liability;
- Third party liability; and
- UK travel.

The majority of the risks covered arise from activities internal to the Group (such as property damage) but a minority arise externally to the Group (employers' and third party liabilities); and therefore remain after the Group's consolidation.

The Group has adopted *IFRS 4: Insurance Contracts* (IFRS 4) to account for the transfer of risk between the academies and the core Department. IFRS 4 provides that any entity that issues an insurance contract is an insurer (whether or not the issuer is regarded as an insurer for legal, supervisory or taxation purposes) and that an insurance contract is a contract under which one party accepts significant insurance risk from another party. Accordingly, provisions for losses have been recognised calculated on an expected loss basis (total losses expected to be incurred during a cover period) rather than on an IAS 37 basis (losses reported during the period).

Based on the number of schools that are members of the scheme, the Group provides for expected losses in respect of a claim year (which runs from 1 September to 31 August). The full expected value of valid claims leads to a transfer from the loss provision to RPA payables, prior to settlement. Loss provisions will be held for the full claim year plus four subsequent years, as claims incurred in that claim year are expected to be made within that time period.

Claims from individual academies are handled by a third party administrator, under contract to the Department.

An annual liability adequacy test is completed in accordance with IFRS 4.

1.24 Contingent liabilities

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

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

1 Accounting policies (continued)

1.25 Value added tax

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

1.26 Corporation tax

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

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

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

1.27 Corporate re-charges to executive agencies

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

2 Restatements

2.1 Summary

The Group has made six restatements of the comparative figures. Two of these, for NCTL bursary grants and for joint departmental income, were not material at Group level, and so were not required to be adjusted under IAS 8, but were required at an individual body level. The two restatements have been included for consistency across the Group.

The tables that follow present separately the prior year adjustments at the three reporting levels: Group, Department & Agencies and Department. The tables reconcile the affected primary statements at the three reporting levels from those statements published as part of the 2013-14 AR&A to those included as comparatives in this AR&A. The adjustments described below are presented in adjustment order at each reporting level, for consistency. Adjustments that are not applicable to that reporting level are not included in the tables.

2 Restatements (continued)

2.1 Summary (continued)

Adjustment 1: Machinery of Government change for CAFCASS
The Group undertook a Machinery of Government transfer moving CAFCASS out of the Group boundary. The transfer of all functions over to the Ministry of Justice took place on 1 April 2014 and as a result CAFCASS has been removed from all 2013-14 comparative figures within the accounts. FReM requires transfers of functions between central government departments to be accounted for using transfer by merger accounting.

Adjustment 2: NCTL bursary grant
The independent validation on the NCTL agency ITT bursary annual grant returns relating to 2012/13 academic year was completed in May 2014. This has resulted in £10.8 million of unspent grant being identified which has been recovered from the grant recipients in 2014-15. Given the materiality of the recovery as compared to the total net expenditure of NCTL in 2013-14, a prior period adjustment has been made.

Adjustment 3: Reassessment of 2012-13 valuations on the basis of *Building Bulletin 103*
The Group applies the guidance in *Building Bulletin 103: Area Guidelines for Mainstream Schools* and *Building Bulletin 102: Designing for Disabled Children and Children with SEN* in performing revaluations.

This bulletin was introduced in 2013-14 and was applied to valuations performed in that year. However, previous valuations performed during 2012-13 were not reassessed following the introduction of the new bulletin.

The Group has concluded that the adoption of the new guidance should have led to a reassessment of the valuation as a change in accounting estimate in 2013-14. As the impact of this is material, the comparative financial information has been restated to adjust the carrying values of schools valued in 2012-13 under the previous valuation guidance.

Adjustment 4: Indexation of land
The Group has concluded that adopting a policy of indexation of land, in line with the existing policy for buildings, would provide reliable and more relevant information about the Group's financial position.

This has been treated as a change in accounting policy and comparative financial information has been restated in accordance with IAS 8 to reflect indexation in 2013-14. The Group has applied the HPI residential land index issued by LSL Acadata to the Group's academy land.

2 Restatements (continued)

2.1 Summary (continued)

Adjustment 5: Accounting for assets under construction and related balances
The Group has performed a detailed review in the year of its individual capital projects and whether the Group has control of the assets and the right to future economic benefits. This review has concluded that in many cases control rests with the entity on whose behalf the EFA is funding acquisition and construction of a school. Consequently, costs are recognised as capital grants not as assets. The Group has restated the assets under construction, land and buildings, and leasehold improvement balances and other related balances, to adjust the treatment of individual projects to reflect which party has control of the asset. The tables on the following pages show the combined impact on Department & Agencies and on the Group.

Adjustment 6: Joint departmental income
A further restatement has also taken place to separately recognise joint programme income which had previously been netted off against programme expenditure. This adjustment only affects the Department results, as it eliminates in the Department & Agencies and Group columns.

2 Restatements (continued)

2.2 Restatements affecting the Group

2.2.1 2013-14 Consolidated Statement of Comprehensive Net Expenditure

	Originally Presented £000	Adj 1 CAFCASS £000	Adj 2 NCTL £000	Adj 3 BB103 £000	Adj 4 Indexation £000	Adj 5 AuC £000	Restated £000
Administration costs							
Staff costs	193,679	(3,559)	-	-	-	-	190,120
Other administration costs	162,012	(7,036)	-	-	-	-	154,976
Other operating income	(6,139)	(625)	-	-	-	-	(6,764)
Programme costs							
Staff costs	10,166,497	(98,845)	-	-	-		10,067,652
Programme costs	46,572,802	(26,881)	(10,813)	3,098,169	-	(92,944)	49,540,333
Operating income	(2,368,351)	74	-	-	-	186,859	(2,181,418)
Net gain on conversion of non-LA schools:							
in-year conversions	(870,975)	-	-	-	-	(10,495)	(881,470)
settlements	(47,273)	-	-	-	-	-	(47,273)
Corporation tax	12	-	-	-	-	-	12
Net operating costs	**53,802,264**	**(136,872)**	**(10,813)**	**3,098,169**	**-**	**83,420**	**56,836,168**
Non-operating costs							
Net gain on:							
transfer of function	-	-	-	-	-	-	-
conversion of LA schools:							
in-year	(3,341,170)	-	-	-	-	32,153	(3,309,017)
settlements	(80,963)	-	-	-	-	-	(80,963)
Net costs	**50,380,131**	**(136,872)**	**(10,813)**	**3,098,169**	**-**	**115,573**	**53,446,188**
Other comprehensive net expenditure							
Net (gain)/loss on revaluation of:							
property, plant and equipment	(279,910)	10	-	318,824	(464,453)	85,217	(340,312)
intangible assets	660	-	-	-	-	-	660
Actuarial gain on defined benefit pension schemes	(113,422)	41,559	-	-	-		(71,863)
Other recognised losses	2,713	-	-	-	-	-	2,713
Items that may be reclassified to net operating costs	(3,202)	-	-	-	-	-	(3,202)
Total comprehensive expenditure	**49,986,970**	**(95,303)**	**(10,813)**	**3,416,993**	**(464,453)**	**200,790**	**53,034,184**

2 Restatements (continued)

2.2 Restatements affecting the Group (continued)

2.2.2 2014 Consolidated Statement of Financial Position

	Originally Presented	Adj 1 CAFCASS	Adj 2 NCTL	Adj 3 BB103	Adj 4 Indexation	Adj 5 AuC	Restated
	£000	£000	£000	£000	£000	£000	£000
Non-current assets							
Property plant and equipment	31,765,350	(794)		(3,416,993)	545,411	(154,759)	28,738,215
Intangible assets	29,527	(1,908)	-	-	-	-	27,619
Investments	98,938	-	-	-	-	-	98,938
Financial assets	-	-	-	-	-	-	-
Receivables	12,499	(12)	-	-	-	-	12,487
	31,906,314	**(2,714)**	**-**	**(3,416,993)**	**545,411**	**(154,759)**	**28,877,259**
Current assets							
Assets held for resale	3,500	-	-	-	-	-	3,500
Inventories	9,489	-	-	-	-	-	9,489
Receivables	875,419	(1,942)	11,619	-	-	-	885,096
Financial assets	-	-	-	-	-	-	-
Cash and cash equivalents	2,580,081	(5,397)	-	-	-	20,379	2,595,063
	3,468,489	**(7,339)**	**11,619**	**-**	**-**	**20,379**	**3,493,148**
Current liabilities							
Payables	(2,041,417)	9,698	(806)	-	-	(24,874)	(2,057,399)
Provisions	(24,622)	2,290	-	-	-	-	(22,332)
	(2,066,039)	**11,988**	**(806)**	**-**	**-**	**(24,874)**	**(2,079,731)**
Non-current liabilities							
Payables	(49,805)	-	-	-	-	-	(49,805)
Provisions	(159,003)	1,109	-	-	-	-	(157,894)
Pension deficits	(2,564,795)	136,981	-	-	-	-	(2,427,814)
	(2,773,603)	**138,090**	**-**	**-**	**-**	**-**	**(2,635,513)**
Assets less liabilities	**30,535,161**	**140,025**	**10,813**	**(3,416,993)**	**545,411**	**(159,254)**	**27,655,163**
Taxpayers' equity							
General Fund	(237,581)	128,718	10,813	-	-	(209,136)	(307,186)
Revaluation Reserve	421,396	(1,130)	-	(318,824)	545,411	(85,217)	561,636
Charitable Fund	30,351,346	12,437	-	(3,098,169)	-	135,099	27,400,713
	30,535,161	**140,025**	**10,813**	**(3,416,993)**	**545,411**	**(159,254)**	**27,655,163**

2 Restatements (continued)

2.2 Restatements affecting the Group (continued)

2.2.3 2013 Consolidated Statement of Financial Position

	Originally Presented	Adj 1 CAFCASS	Adj 4 Indexation	Adj 5 AuC	Restated
	£000	£000	£000	£000	£000
Non-current assets					
Property plant and equipment	25,974,298	(1,047)	80,958	41,540	26,095,749
Intangible assets	37,391	(22)	-	-	37,369
Investments	55,580	-	-	-	55,580
Financial assets	511	-	-	-	511
Receivables	5,727	(12)	-	-	5,715
	26,073,507	**(1,081)**	**80,958**	**41,540**	**26,194,924**
Current assets					
Assets held for resale	-	-	-	-	-
Inventories	7,348	-	-	-	7,348
Receivables	460,793	(2,467)	-	-	458,326
Financial assets	47	-	-	-	47
Cash and cash equivalents	2,009,696	(1,304)	-	-	2,008,392
	2,477,884	**(3,771)**	**-**	**-**	**2,474,113**
Current liabilities					
Payables	(1,556,613)	15,783	-	-	(1,540,830)
Provisions	(30,177)	2,727	-	-	(27,450)
	(1,586,790)	**18,510**	**-**	**-**	**(1,568,280)**
Non-current liabilities					
Payables	(42,651)	-	-	-	(42,651)
Provisions	(163,552)	1,380	-	-	(162,172)
Pension deficits	(2,082,067)	170,768	-	-	(1,911,299)
	(2,288,270)	**172,148**	**-**	**-**	**(2,116,122)**
Assets less liabilities	**24,676,331**	**185,806**	**80,958**	**41,540**	**24,984,635**
Taxpayers' equity					
General Fund	(440,975)	186,941	-	(190,019)	(444,053)
Revaluation Reserve	144,708	(1,135)	80,958	-	224,531
Charitable Fund	24,972,598	-	-	231,559	25,204,157
	24,676,331	**185,806**	**80,958**	**41,540**	**24,984,635**

2 Restatements (continued)

2.3 Restatements affecting the Department & Agencies

2.3.1 2013-14 Consolidated Statement of Comprehensive Net Expenditure

	Originally Presented £000	Adj 1 CAFCASS £000	Adj 2 NCTL £000	Adj 5 AuC £000	Restated £000
Administration costs					
Staff costs	188,702	-	-	-	188,702
Other administration costs	154,803	-	-	-	154,803
Other operating income	(7,434)	-	-	-	(7,434)
Programme costs					
Staff costs	23,987	-	-	-	23,987
Programme costs	55,603,648	(141,084)	(10,813)	(17,070)	55,434,681
Operating income	(74,803)	-	-	-	(74,803)
Net gain on conversion of non-LA schools:					
in-year conversions	-	-	-	-	-
settlements	-	-	-	-	-
Corporation tax	-	-	-	-	-
Net operating costs	**55,888,903**	**(141,084)**	**(10,813)**	**(17,070)**	**55,719,936**
Non-operating costs					
Net gain on:					
transfer of function					
conversion of LA schools:					
in-year conversions	-	-	-	-	
settlements	-	-	-	-	-
Net costs	**55,888,903**	**(141,084)**	**(10,813)**	**(17,070)**	**55,719,936**
Other comprehensive net expenditure					
Net loss on revaluation of:					
property, plant and equipment	448	-	-	-	448
intangible assets	660	-	-	-	660
Actuarial gain on defined benefit pension schemes	-	-	-	-	-
Other recognised losses	-	-	-	-	-
Items that may be reclassified to net operating costs	-	-	-	-	-
Total comprehensive expenditure	**55,890,011**	**(141,084)**	**(10,813)**	**(17,070)**	**55,721,044**

2 Restatements (continued)

2.3 Restatements affecting the Department & Agencies (continued)

2.3.2 2014 Consolidated Statement of Financial Position

	Originally Presented £000	Adj 2 NCTL £000	Adj 5 AuC £000	Restated £000
Non-current assets				
Property plant and equipment	278,260	-	(168,454)	109,806
Intangible assets	22,999	-	-	22,999
Investments	-	-	-	-
Financial assets	5,178	-	-	5,178
Receivables	6,957	-	-	6,957
	313,394	**-**	**(168,454)**	**144,940**
Current assets				
Assets held for resale	3,500	-	-	3,500
Inventories	-	-	-	-
Receivables	91,184	11,619	-	102,803
Financial assets	2,649	-	-	2,649
Cash and cash equivalents	103,867	-	20,379	124,246
	201,200	**11,619**	**20,379**	**233,198**
Current liabilities				
Payables	(614,433)	(806)	(24,874)	(640,113)
Provisions	(19,828)	-	-	(19,828)
	(634,261)	**(806)**	**(24,874)**	**(659,941)**
Non-current liabilities				
Payables	-	-	-	-
Provisions	(156,791)	-	-	(156,791)
Pension deficits	-	-	-	-
	(156,791)	**-**	**-**	**(156,791)**
Assets less liabilities	**(276,458)**	**10,813**	**(172,949)**	**(438,594)**
Taxpayers' equity				
General Fund	(294,515)	10,813	(172,949)	(456,651)
Revaluation Reserve	18,057	-	-	18,057
Charitable Fund	-	-	-	-
	(276,458)	**10,813**	**(172,949)**	**(438,594)**

2 Restatements (continued)

2.3 Restatements affecting the Department & Agencies (continued)

2.3.3 2013 Consolidated Statement of Financial Position

	Originally Presented	Adj 5 AuC	Restated
	£000	£000	£000
Non-current assets			
Property plant and equipment	283,788	(190,019)	93,769
Intangible assets	35,383	-	35,383
Investments	-	-	-
Financial assets	5,104	-	5,104
Receivables	5,935	-	5,935
	330,210	**(190,019)**	**140,191**
Current assets			
Assets held for resale	-	-	-
Inventories	46	-	46
Receivables	52,701	-	52,701
Financial assets	2,813	-	2,813
Cash and cash equivalents	147,391	-	147,391
	202,951	**-**	**202,951**
Current liabilities			
Payables	(577,990)	-	(577,990)
Provisions	(26,157)	-	(26,157)
	(604,147)	**-**	**(604,147)**
Non-current liabilities			
Payables	-	-	-
Provisions	(161,261)	-	(161,261)
Pension deficits	-	-	-
	(161,261)	**-**	**(161,261)**
Assets less liabilities	**(232,247)**	**(190,019)**	**(422,266)**
Taxpayers' equity			
General Fund	(253,959)	(190,019)	(443,978)
Revaluation Reserve	21,712	-	21,712
Charitable Fund	-	-	-
	(232,247)	**(190,019)**	**(422,266)**

2 Restatements (continued)

2.4 Restatements affecting the Department

2.4.1 2013-14 Statement of Comprehensive Net Expenditure

	Originally Presented	Adj 1 CAFCASS	Adj 6 Joint Departm'l Income	Restated
	£000	£000	£000	£000
Administration costs				
Staff costs	122,774	-	-	122,774
Other administration costs	113,046	-	-	113,046
Other operating income	(52,554)	-	-	(52,554)
Programme costs				
Staff costs	8,560	-	-	8,560
Programme costs	816,174	(141,084)	-	675,090
Operating income	(1,561)	-	(47,000)	(48,561)
Net gain on conversion of non-LA schools:				
in-year conversions	-	-	-	-
settlements	-	-	-	-
Corporation tax	-	-	-	-
Net operating costs	**1,006,439**	**(141,084)**	**(47,000)**	**818,355**
Non-operating costs				
Net gain on:				
transfer of function	-	-	-	-
conversion of LA schools:		-	-	
in-year	-	-	-	-
settlements	-	-	-	-
Net costs	**1,006,439**	**(141,084)**	**(47,000)**	**818,355**
Other comprehensive net expenditure				
Net loss on revaluation of:				
property, plant and equipment	448	-	-	448
intangible assets	660	-	-	660
Actuarial gain on defined benefit pension schemes	-	-	-	-
Other recognised losses	-	-	-	-
Items that me be reclassified to net operating costs	-	-	-	-
Total comprehensive expenditure	**1,007,547**	**(141,084)**	**(47,000)**	**819,463**

The restatement had no impact on the Departmental Statement of Financial Position, and accordingly no restatement analysis has been presented

3 Statement of operating costs by operating segment

The Group is structured to clearly align activity and expenditure against the government's Structural Reform Priorities (SRPs) for education. Information on operating activities, financial results, forecasts and plans is presented to and reviewed by the Management Committee on this basis; the Group's Supply Estimates are also structured in this way.

The vast majority of the lines of operation fall within the same geographical location and regulatory environment. Segmental analysis of the Group's assets and liabilities are reviewed by management and consequently are not provided here.

3.1 Segmental analysis

The segmental report shown below links expenditure within the Group structure to Note S2 and covers the Group's total resource and capital outturn for the year.

	Gross expenditure £000	Income £000	2014-15 Net expenditure £000	Gross expenditure Restated £000	Income Restated £000	2013-14 Net expenditure Restated £000
Children's Services & Departmental Strategy	381,012	(1,418)	379,594	324,607	(482)	324,125
Education Standards	588,544	(75,843)	512,701	661,641	(52,658)	608,983
Infrastructure & Funding	40,811,413	(22,386)	40,789,027	40,757,202	(22,002)	40,735,200
Corporate Services	163,031	(7,453)	155,578	173,652	(4,746)	168,906
	41,944,000	**(107,100)**	**41,836,900**	**41,917,102**	**(79,888)**	**41,837,214**
Academy schools	20,387,419	-	20,387,419	14,058,154	-	14,058,154
	62,331,419	**(107,100)**	**62,224,319**	**55,975,256**	**(79,888)**	**55,895,368**

The main responsibilities of the reporting entities used for management reporting purposes are given overleaf, with further detail available in the Annual Report.

3.1 Segmental analysis (continued)

Children's Services and Departmental Strategy Directorate: The focus of the directorate's work is to help children and young people have a more equal opportunity to benefit from an excellent education; and provide corporate strategic, analytical and communication services for the

Department. Key areas of work include ensuring more children receive a high quality early education; increasing the affordability, availability and quality of childcare; delivering a robust reform programme for SEN; ensuring that children identified for adoption are placed as swiftly as possible; increasing the professionalism, qualifications and effectiveness of children's social workers; reforming the care system, including residential care and promoting innovation; implementing reforms to the family justice system and tackling child poverty. The service based functions within the directorate are focused on ensuring that data and economic thinking inform policy development and delivery; representing the Department's interests in international forums and ensuring best use of international learning to inform policy; providing a communications function to Ministers and ensuring that time and quality standards are met in responding to public queries; delivering a strategic, forward looking function to support the Board and ensure connections are made across related Departmental activities; and providing Ministers with a high quality private office service and delivering efficiently and effectively on Department of State responsibilities.

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

3 Statement of operating costs by operating segment (continued)

3.1 Segmental analysis (continued)

Infrastructure and Funding Directorate: The directorate focusses on reforming the education system and the way in which it is funded. It is responsible for leading the shift from a predominantly local authority maintained system of schooling to a more autonomous system through the delivery of the Academies and Free Schools programmes; the maintenance and reform of the funding system for both pre and post 16 education to a system which is transparent, where funding follows the pupil and where pupils with additional needs attract additional funding; responsibility for the policy on pre and post 16 capital funding including ensuring there are sufficient school places; funding for the maintenance of the school estate including centrally delivered capital programmes such as the Priority Schools Building Programme; and applying Ministers' deregulatory principles to the organisation and governance of the wider school system.

Corporate Services: the directorate provides essential support services to the Department including corporate financial monitoring, reporting and advice; commercial and procurement support, legal advice, Internal Audit support, IT systems and Estate Management functions. There is a wide range of cross-departmental advice and support, which extends to stakeholders, including schools

3.2 Reconciliation between operating segments and SoCNE

		Reconciling items			
	Net expenditure per segmental analysis £000	Income & Gains £000	Expenditure £000	Non-Budget prior year adjustment £000	Net costs per SoCNE £000
Children's Services & Strategy	379,594	(6)	6	-	379,594
Educations Standards	512,701	-	-	24,807	537,508
Infrastructure & Funding	40,789,027	65,211	(2,297,121)	(452)	38,556,665
Corporate Services	155,578	(42)	-	-	155,536
	41,836,900	**65,163**	**(2,297,115)**	**24,355**	**39,629,303**
Academy schools	20,387,419	(3,737,238)	(578,021)	(3,097,226)	12,974,934
Total	**62,224,319**	**(3,672,075)**	**(2,875,136)**	**(3,072,871)**	**52,604,237**

4 Staff numbers and related costs

4.1 Staff costs

	Permanently employed staff £000	Other £000	Ministers £000	Special Advisers £000	2014-15 Group Total £000	2013-14 Group Total Restated £000
Wages and salaries	9,486,268	581,857	168	194	10,068,487	8,556,167
Social security costs	707,048	13,668	14	20	720,750	630,570
Pension costs	1,377,560	24,897	-	37	1,402,494	1,071,035
	11,570,876	**620,422**	**182**	**251**	**12,191,731**	**10,257,772**
Less recoveries in respect of outward secondments	(1,576)	-	-	-	(1,576)	(2,519)
	11,569,300	**620,422**	**182**	**251**	**12,190,155**	**10,255,253**
Charged to:						
Administration costs	180,599	13,193	182	251	194,225	190,120
Programme costs	11,390,277	607,229	-	-	11,997,506	10,067,652
	11,570,876	**620,422**	**182**	**251**	**12,191,731**	**10,257,772**
Less recoveries in respect of outward secondments	(1,576)	-	-	-	(1,576)	(2,519)
	11,569,300	**620,422**	**182**	**251**	**12,190,155**	**10,255,253**
Of which:						
Department	124,931	4,693	182	251	130,057	131,334
Executive Agencies	61,375	9,788	-	-	71,163	81,355
NDPBs	1,765	53	-	-	1,818	1,552
Academy Trusts	11,382,805	605,888	-	-	11,988,693	10,043,531
	11,570,875	**620,422**	**182**	**251**	**12,191,731**	**10,257,772**
Less recoveries in respect of outward secondments	(1,576)	-	-	-	(1,576)	(2,519)
	11,569,300	**620,422**	**182**	**251**	**12,190,155**	**10,255,253**

The Group has agreed with HMT to treat all of its schools' staff costs as programme. Other permanent staff charged to programme costs consist mainly of European School Teachers £5.7 million (2013-14: £6.6 million).

4 Staff numbers and related costs (continued)

4.1 Staff costs (continued)

The Group has charged staff costs relating to capital asset new school build and major refurbishment projects to capital grant-in-kind. This totalled £13.6 million (2013-14: £12.4 million) for the Free Schools programme and £6.9 million (2013-14: £4.1 million) for the PSBP.

4.2 Average number of persons employed

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

	Permanently employed staff	Other	Ministers	Special Advisers	2014-15 Group Total	2013-14 Group Total Restated
	Number	Number	Number	Number	Number	Number
Number of staff charged to:						
Administration costs	3,265	145	6	3	3,419	3,488
Programme costs	323,676	16,691	-	-	340,367	300,848
	326,941	**16,836**	**6**	**3**	**343,786**	**304,336**
Of which:						
Department	2,280	34	6	3	2,323	2,509
Executive Agencies	1,200	243	-	-	1,443	1,317
NDPBs	29	1	-	-	30	25
Academy Trusts	323,432	16,558	-	-	339,990	300,485
	326,941	**16,836**	**6**	**3**	**343,786**	**304,336**

The reduction in staff numbers in the Department more than compensated for the slight increase in staff across the Department’s EAs and NDPBs; as a result of the commitment to reduce administration costs in the spending review period.

The number of staff employed by the Group continues to increase through the continued expansion of the Group’s schools. It is expected that the Group’s staff numbers will continue to climb as more schools convert to academy status and are included in future consolidations.

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

4 Staff numbers and related costs (continued)

4.3 Pension schemes

The Group operates a range of pension schemes for its employees depending upon their role. The schemes are described further below and Note 21.

Principal Civil Service Pension Scheme (PCSPS)
The PCSPS is an unfunded multi-employer defined benefit scheme. In accordance with IAS 19 contributions to the scheme are accounted for as if the scheme were a defined contribution scheme with only contributions payable during the year recognised.

Principal Civil Service Pension Scheme (PCSPS) (continued)
The scheme actuary valued the scheme as at 31 March 2012; and further details can be found in the accounts of the Cabinet Office: Civil Superannuation[41].

For 2014-15, employer's contributions of £28.7 million were payable to the PCSPS (2013-14: £29.6 million) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

New career average pension arrangements the 'alpha scheme' will be introduced from 1 April 2015 and the majority of classic, premium, classic plus and nuvos members will join this scheme.

Local Government Pension Scheme (LGPS)
The Group makes contributions to the LGPS. The scheme is governed by statutory regulations made under Section 7 of the *Superannuation Act 1972*, and the *Public Service Pensions Act 2013*. Membership of the scheme is voluntary and is open to non-teaching staff at the Group's academy schools who satisfy the membership criteria.

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

[41] You can find details in the accounts of the Cabinet Office: Civil Superannuation: www.civilservice.gov.uk/pensions

4 Staff numbers and related costs (continued)

4.3 Pension schemes (continued)

Teachers' Pension Scheme (TPS)
The scheme is governed by statutory regulations which are currently: *The Teachers' Pensions Regulations 2014* (SI2014/552). Membership of the scheme is voluntary and is open to members of the teaching profession in England and Wales and who satisfy the membership criteria set out below.

- Teacher or lecturer (between the ages of 16 and 75) in pensionable service employed by;
- a local authority or academy;
- an independent school;
- a further or higher education establishment that has been accepted into the TPS; or
- a function provider (a company awarded a contract to perform functions on behalf of a local authority).

The scheme is an unfunded, defined benefit pension scheme managed by the Group. As such there are no underlying scheme assets and liabilities for allocation across the employers. In accordance with IAS 19 contributions to the scheme are accounted for as if the scheme was a defined contribution scheme with only contributions payable during the year recognised.

Contributions to the TPS by employers and employees are set at rates determined by the Secretary of State, taking advice from the scheme's actuary. For 2014-15, the Group was liable to pay employer's contributions of £779.8 million (2013-14: £643.2 million). Further information about the scheme can be obtained from the TPS's 2014-15 AR&A.

Partnership pension accounts
Group employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £202,000 (2013-14: £192,000) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. The Group matches employee contributions up to 3% of pensionable pay. In addition, employer contributions of £13,000 (2013-14: £12,000), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions payable to the partnership pension providers at the year-end were £37,000 (2013-14: £16,000). Contributions prepaid at that date were nil (2013-14: £nil).

4 Staff numbers and related costs (continued)

4.4 Reporting of civil service and other compensation schemes

The disclosure of agreed departures during the year comprises three categories:

- employees who agreed to leave during the year and left by 31 March 2015;
- employees who have committed to leave by 31 March 2015; for whom the exit packages have been accrued; and
- employees whose exit packages were accrued in the previous year and who have left during the year.

The disclosures below do not include payments made to the Department's former compensation scheme administrators in 2014-15 to cover historic under-billing; these payments do not relate to staff leaving during 2014-15.

Department

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
<£10,000	3	-	-	14	3	14
£10,001 - £25,000	3	-	22	38	25	38
£25,001 - £50,000	4	-	34	50	38	50
£50,001 - £100,000	1	-	44	45	45	45
£100,001 - £150,000	-	-	3	1	3	1
£150,001 - £200,000	-	-	-	4	-	4
Total number of exit packages	**11**	**-**	**103**	**152**	**114**	**152**
Total costs (£000)	**277**	**-**	**5,244**	**4,034**	**5,521**	**4,034**

Department & Agencies

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
<£10,000	3	-	1	16	4	16
£10,001 - £25,000	6	-	34	58	40	58
£25,001 - £50,000	8	-	46	59	54	59
£50,001 - £100,000	2	-	53	52	55	52
£100,001 - £150,000	1	-	6	4	7	4
£150,001 - £200,000	-	-	-	4	-	4
Total number of exit packages	**20**	**-**	**140**	**193**	**160**	**193**
Total costs (£000)	**691**	**-**	**6,893**	**5,380**	**7,584**	**5,380**

4 Staff numbers and related costs (continued)

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

Group

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2014-15	2013-14 Restated	2014-15	2013-14 Restated	2014-15	2013-14 Restated
<£10,000	920	701	1,292	918	2,212	1,619
£10,001 - £25,000	375	330	791	532	1,166	862
£25,001 - £50,000	147	91	275	221	422	312
£50,001 - £100,000	13	20	64	79	77	99
£100,001 - £150,000	1	2	7	7	8	9
£150,001 - £200,000	-	-	-	4	-	4
Total number of exit packages	**1,456**	**1,144**	**2,429**	**1,761**	**3,885**	**2,905**
Total costs (£000)	**15,622**	**12,289**	**33,523**	**24,266**	**49,145**	**36,555**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the *Superannuation Act 1972*. Exit costs are accounted for in full in the year the departure is agreed. Where the Group has agreed early retirements, the additional costs are met by the Group and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table. Four people (2013-14: three people) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £17,000 (2013-14: £13,000).

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

5 Other administration costs

	Department £000	Department & Agencies £000	2014-15 Group £000	Department £000	Department & Agencies £000	2013-14 Group Restated £000
Rentals under operating leases:						
hire of plant and machinery	337	337	337	649	649	649
other operating leases	15,290	17,225	17,270	15,956	16,266	16,261
Professional fees	9,532	19,212	19,213	9,715	19,312	19,313
Travel and subsistence	4,269	8,473	8,470	4,154	8,400	8,401
Consultancy	547	548	545	369	383	383
Rates and service charges	7,688	7,688	7,688	7,303	7,303	7,303
Computers and telecoms costs	16,394	17,676	17,715	11,686	22,196	22,251
Utilities	1,990	1,990	1,990	1,236	1,236	1,236
Advertising and publicity	523	1,002	1,002	816	907	911
Other office services	7,871	7,951	7,960	7,791	7,926	7,967
Teachers' Pension Scheme contract expenditure	16,194	16,193	16,193	14,554	14,554	14,554
Auditors' remuneration - audit work	-	-	38	-	-	22
Other expenditure	14,649	21,197	21,391	9,725	26,069	26,110
	95,284	**119,492**	**119,812**	**83,954**	**125,201**	**125,361**
Non-cash items:						
Depreciation:						
Civil Estate	873	873	873	794	794	794
other property, plant and equipment	5,194	5,194	5,197	7,349	7,349	7,359
Amortisation of intangible assets	4,215	4,588	4,600	7,350	7,375	7,378
Permanent diminution in non-current asset values	2,516	2,516	2,516	13,249	13,249	13,249
Loss on disposal of non-current assets	426	427	427	-	-	-
Auditor's remuneration - audit work	310	860	860	350	835	835
	13,534	**14,458**	**14,473**	**29,092**	**29,602**	**29,615**
	108,818	**133,950**	**134,285**	**113,046**	**154,803**	**154,976**

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

5 Other administration costs (continued)

Of the other expenditure cost £11.2 million (2013-14: £5.1 million) reflects lump sum accruals of severance costs for the Department and its EAs. Details of exit costs are available in Note 4 and also in the individual EA's AR&As.

6 Programme costs

			2014-15			2013-14
	Department	Department & Agencies	Group	Department Restated	Department & Agencies Restated	Group Restated
	£000	£000	£000	£000	£000	£000
Capital grants	3,709	4,246,772	2,850,154	7,521	3,423,002	2,977,605
Resource grants	539,796	52,388,353	37,917,953	516,947	51,744,716	38,685,160
Other expenditure	169,938	280,040	4,239,922	128,796	244,828	3,764,006
Non-cash items	18,000	29,325	1,202,811	21,826	22,135	4,113,562
	731,443	**56,944,490**	**46,210,840**	**675,090**	**55,434,681**	**49,540,333**

During the year management re-organised the presentation of programme costs to improve the note's readability to better differentiate between grants types (capital and resource) and other expenditure. The re-presentation does not alter the balances recognised only the grouping of the costs under the three cost type headings. As part of the re-presentation management have harmonised the presentation of other expenditure for all three reporting levels. Other expenditure reported in 2013-14 under a single caption (Other current expenditure) for the Department and Department & Agencies has been analysed across the existing cost classes previously used for costs borne by the Group's academies.

			2014-15			2013-14
	Department	Department & Agencies	Group	Department Restated	Department & Agencies Restated	Group Restated
	£000	£000	£000	£000	£000	£000
Capital grants						
Basic Need schools capital grant	-	1,344,778	1,344,778	-	1,027,072	1,027,072
Maintenance capital grants to local authorities and VA schools	-	988,066	988,066	-	900,326	900,326
Building Schools for the Future capital grant	-	146,861	-	-	614,047	300,283
Academy capital grants and Free School programme	-	1,265,168	183,728	-	588,591	469,382
Priority Schools Building Programme	-	366,310	206,930	-	-	-
National Framework Academies capital grant	-	7,109	-	-	32,528	32,528
Other capital grants	3,709	128,480	126,652	7,521	260,438	248,014
	3,709	**4,246,772**	**2,850,154**	**7,521**	**3,423,002**	**2,977,605**

6 Programme costs (continued)

	2014-15 Department £000	2014-15 Department & Agencies £000	2014-15 Group £000	2013-14 Department Restated £000	2013-14 Department & Agencies Restated £000	2013-14 Group Restated £000
Resource grants						
Dedicated Schools Grant	-	28,254,321	28,254,321	-	29,199,988	29,199,988
General Annual Grant and other academy grants	-	13,946,065	-	-	12,919,240	-
16-19 Further Education	-	3,802,221	3,802,221	-	3,854,997	3,854,997
16-19 Bursary funding	-	180,208	180,208	-	154,008	128,920
16-18 Apprenticeships	-	801,148	801,148	-	728,050	728,050
Pupil Premium for LA schools	-	1,768,230	1,768,230	-	1,364,782	1,364,782
Local authority and other maintained School Sixth forms	-	781,317	781,317	-	856,371	856,371
PFI special grant	-	743,796	743,796	-	733,478	719,779
Education Services Grant	-	719,673	719,673	-	779,468	779,468
Universal Free School Meals	-	308,986	308,986	-	-	-
Initial Teacher Training	-	209,754	171,892	-	276,682	245,256
Special Educational Needs and Disabilities Reform	127,938	127,938	127,938	-	-	-
Grant-in-Aid (funding to NDPBs)	2,924	2,924	-	2,453	2,453	-
Returned Grant-in-Aid (Non-voted)	-	-	-	(3,429)	(3,429)	(3,429)
Academies and Free Schools	78,396	78,396	43,700	92,485	92,485	58,832
Adoption and Children in Care	67,643	67,643	67,643	164,504	164,504	164,504
Safeguarding	26,814	26,814	26,814	27,153	27,153	27,153
Additional Grant Scheme	-	138,034	138,034	-	105,175	105,175
Two Year Olds in Schools	-	450	450	-	460	460
Extended Rights to Free Home to School Transport	25,057	25,057	25,057	36,141	36,141	36,141
Family Fund Trust	27,323	27,323	27,323	27,323	27,323	27,323
Teaching School Grants	-	34,001	16,017	-	20,159	9,124
Continuing Professional Development	-	409	414	-	(2,303)	(2,303)
Golden Hellos	-	1,504	671	-	4,923	5,307
Music Grant	59,511	59,511	59,511	64,340	64,340	64,340
Music & Dance Scheme	28,150	28,150	28,150	28,915	28,915	28,915
Repayment of Teacher Loans	-	9,813	9,813	-	15,060	15,037
Youth Contract	-	23,043	23,043	-	11,399	11,399
Other current grants	96,040	221,624	198,590	77,062	282,894	259,571
Resource grants un-eliminated	-	-	(407,007)	-	-	-
	539,796	**52,388,353**	**37,917,953**	**516,947**	**51,744,716**	**38,685,160**

6 Programme costs (continued)

	Department £000	Department & Agencies £000	2014-15 Group £000	Department Restated £000	Department & Agencies Restated £000	2013-14 Group Restated £000
Other expenditure						
Educational supplies	-	-	598,643	-	-	516,964
Exam fees	-	-	190,494	-	-	186,154
Staff related costs	-	509	152,576	-	105	119,431
Consultancy	1,490	1,489	102,585	1,022	1,064	72,084
Professional fees	14,672	36,615	95,318	9,567	27,861	44,612
Travel and subsistence	(89)	776	24,605	450	1,173	20,998
Building maintenance and repair cost	1,244	1,244	417,638	1,276	1,276	405,520
Utilities	-	-	263,810	127	127	238,005
Catering	3	3	247,101	-	2	182,346
Computers and telecoms costs	10,823	11,404	217,924	16,561	18,470	168,994
Rates and service charges	131	131	81,988	285	285	72,085
Accommodation charges	-	-	42,679	-	-	30,704
Other premise and office costs	-	8,809	896,274	629	8,858	773,794
Auditors' remuneration:						
audit	-	-	23,755	-	-	25,762
non-audit	-	-	9,850	-	-	10,637
Rentals under operating leases:						
land and buildings	543	543	22,772	651	651	18,661
other operating leases	-	-	33,335	2	2	26,830
Bank charges	-	-	5,084	-	-	6,398
Interest paid	-	-	99	-	-	253
Research & development costs	9,459	10,107	10,107	11,424	12,391	12,391
Other current expenditure	131,662	208,410	803,285	86,802	172,563	831,383
	169,938	**280,040**	**4,239,922**	**128,796**	**244,828**	**3,764,006**

6 Programme costs (continued)

	Department	Department & Agencies	2014-15 Group	Department Restated	Department & Agencies Restated	2013-14 Group Restated
	£000	£000	£000	£000	£000	£000
Non-cash items:						
Depreciation	85	85	971,399	416	416	871,992
Amortisation	6,194	6,194	7,675	6,074	6,074	7,255
Impairment	(157)	2,445	167,877	176	176	3,159,464
Loss/(gain) on disposal of:						
property, plant and equipment	-	-	34,598	-	-	57,777
intangible assets	-	-	10	-	-	-
investments	-	-	-	-	-	70
Provisions:						
provided in year	6,337	15,180	19,602	5,141	5,520	7,908
not required written back	(2,775)	(2,896)	(6,667)	(371)	(441)	(1,294)
change of discount rate	5,539	5,539	5,539	6,574	6,574	6,574
borrowing costs (unwinding of discounts)	2,777	2,778	2,778	3,816	3,816	3,816
	18,000	**29,325**	**1,202,811**	**21,826**	**22,135**	**4,113,562**
	731,443	**56,944,490**	**46,210,840**	**675,090**	**55,434,681**	**49,540,333**

Grants paid to ATs in advance of their schools opening are not eliminated since the Group's accounting policy is to exclude from consolidation all grant payments made to ATs that relate to un-opened academy schools.

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

7 Income

	Department £000	Department & Agencies £000	2014-15 Group £000	Department Restated £000	Department & Agencies £000	2013-14 Group Restated £000
Administration income:						
Fees and charges to external customers	93	93	93	99	99	99
Rental income	6,070	6,070	5,917	3,768	3,768	3,614
Shared service income	434	434	406	477	477	450
Other miscellaneous	1,776	1,824	1,653	2,772	3,090	2,601
Non-cash items:						
Notional re-charges to Executive Agencies	46,592	-	-	45,438	-	-
	54,965	**8,421**	**8,069**	**52,554**	**7,434**	**6,764**
Programme income:						
Joint programme income	70,605	90,726	90,729	47,449	69,058	69,058
NCL conference income	-	-	-	-	791	791
RPA income	5,189	5,189	-	-	-	-
Voluntary income:						
donations	-	-	438,812	-	-	443,046
other	-	-	172,317	-	-	308,746
Activities for generating funds:						
hire of facilities	-	-	85,353	-	-	67,546
rental income	-	-	11,957	-	-	12,437
catering income	-	-	187,356	-	-	151,705
other	-	-	332,807	-	-	283,592
Investment income:						
short-term deposit interest	-	-	3,048	-	-	4,678
interest	-	-	8,326	-	-	7,867
other	-	-	523	-	-	1,804
EFA income	-	-	-	-	-	(32,443)
Other grant income	-	-	691,294	-	-	653,558
Boarding activities income	-	-	32,688	-	-	32,050
Other income	1,143	2,698	252,069	1,112	4,954	176,983
	76,937	**98,613**	**2,307,279**	**48,561**	**74,803**	**2,181,418**
	131,902	**107,034**	**2,315,348**	**101,115**	**82,237**	**2,188,182**

7 Income (continued)

The joint programme income relates to income from Department of Health, BIS/Skills Funding Agency and the Ministry of Justice for jointly managed projects where the Group had recharged some of the expenditure for those programmes.

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

8 Property, plant and equipment

8.1 Impact of the restatement on the Group

	Land & Buildings £000	Leasehold Improve'ts £000	IT Equipment £000	Plant & Machinery £000	Furniture & Fittings £000	Motor Vehicles £000	Assets under Construct'n £000	Total £000
2013								
Cost at 1 April 2013 (as previously stated)	25,725,770	14,935	364,707	17,433	449,506	12,227	256,166	26,840,744
Restatement	77,426	(9,084)	(3,281)	(24)	-	-	52,748	117,785
Cost at 1 April 2013 (restated)	**25,803,196**	**5,851**	**361,426**	**17,409**	**449,506**	**12,227**	**308,914**	**26,958,529**
Depreciation at 1 April 2013 (as previously stated)	(630,289)	(5,868)	(136,500)	(1,645)	(89,583)	(2,561)	-	(866,446)
Restatement	105	519	3,023	19	-	-	-	3,666
Depreciation at 1 April 2013 (restated)	**(630,184)**	**(5,349)**	**(133,477)**	**(1,626)**	**(89,583)**	**(2,561)**	**-**	**(862,780)**
Carrying value at 1 April 2013 (as previously stated)	25,095,481	9,067	228,207	15,788	359,923	9,666	256,166	25,974,298
Carrying value at 1 April 2013 (restated)	**25,173,012**	**502**	**227,949**	**15,783**	**359,923**	**9,666**	**308,914**	**26,095,749**
2014								
Cost at 31 March 2014 (as previously stated)	30,237,927	225,617	559,989	41,014	632,555	18,644	591,284	32,307,030
Restatement	(2,619,538)	(91,613)	(3,231)	(24)	-	-	120,552	(2,593,854)
Cost at 31 March 2014 (restated)	**27,618,389**	**134,004**	**556,758**	**40,990**	**632,555**	**18,644**	**711,836**	**29,713,176**
Depreciation at 31 March 2014 (as previously stated)	(66,891)	(11,891)	(267,462)	(13,418)	(175,911)	(6,107)	-	(541,680)
Restatement	(436,418)	(46)	3,162	24	-	(3)	-	(433,281)
Depreciation at 31 March 2014 (restated)	**(503,309)**	**(11,937)**	**(264,300)**	**(13,394)**	**(175,911)**	**(6,110)**	**-**	**(974,961)**
Carrying value at 31 March 2014 (as previously stated)	30,171,036	213,726	292,527	27,596	456,644	12,537	591,284	31,765,350
Carrying value at 31 March 2014 (restated)	**27,115,080**	**122,067**	**292,458**	**27,596**	**456,644**	**12,534**	**711,836**	**28,738,215**

8 Property, plant and equipment (continued)

8.2 Group 2015

	Land & Buildings £000	Leasehold Improve'ts £000	IT Equipment £000	Plant & Machinery £000	Furniture & Fittings £000	Motor Vehicles £000	Assets Under Construct'n £000	Total £000
Cost or valuation								
At 1 April 2014 after restatement	27,618,389	134,004	556,758	40,990	632,555	18,644	711,836	29,713,176
Additions	529,956	69,521	159,052	16,807	132,694	4,224	973,470	1,885,724
Transferred in on in-year conversion:								
LA	2,677,213	137	16,486	4,638	51,977	929	-	2,751,380
non-LA	920,982	83	6,711	491	5,513	62	92,885	1,026,727
Transferred in on conversion settlements:								
LA	90,317	(704)	4,815	2,786	(5,106)	264	(32,892)	59,480
non-LA	24,027	(2,697)	(4,633)	(315)	(8,143)	(30)	11,133	19,342
Donations	406,679	2,028	4,103	3,306	8,574	206	5,540	430,436
Impairment	(159,161)	-	(365)	-	(130)	(22)	(10,714)	(170,392)
Disposals	(49,400)	(388)	(14,404)	(253)	(7,510)	(464)	(13,091)	(85,510)
Reclassification	697,346	(6,923)	3,012	(114)	4,365	(10)	(699,826)	(2,150)
Revaluations	822,225	(398)	1,274	6	610	53	-	823,770
At 31 March 2015	**33,578,573**	**194,663**	**732,809**	**68,342**	**815,399**	**23,856**	**1,038,341**	**36,451,983**
Depreciation								
At 1 April 2014 after restatement	(503,309)	(11,937)	(264,300)	(13,394)	(175,911)	(6,110)	-	(974,961)
Charged in year	(678,024)	(11,137)	(159,179)	(14,790)	(110,033)	(4,306)	-	(977,469)
Disposals	595	388	12,749	116	6,189	289	-	20,326
Reclassification	(1,151)	1,250	5,321	(2,300)	(2,663)	(4)	-	453
Revaluations	985,053	(55)	(1,840)	(6)	(1,431)	(56)	-	981,665
At 31 March 2015	**(196,836)**	**(21,491)**	**(407,249)**	**(30,374)**	**(283,849)**	**(10,187)**	**-**	**(949,986)**
Carrying value as at:								
31 March 2015	**33,381,737**	**173,172**	**325,560**	**37,968**	**531,550**	**13,669**	**1,038,341**	**35,501,997**
31 March 2014	**27,115,080**	**122,067**	**292,458**	**27,596**	**456,644**	**12,534**	**711,836**	**28,738,215**

8 Property, plant and equipment (continued)

8.2 Group 2015 (continued)

	Land & Buildings £000	Leasehold Improve'ts £000	IT Equipment £000	Plant & Machinery £000	Furniture & Fittings £000	Motor Vehicles £000	Assets Under Construct'n £000	Total £000
Of the total:								
Department	49,125	13	3,158	14	6,834	-	6,179	65,323
Executive Agencies	16,097	-	-	-	-	-	116,332	132,429
NDPBs	-	-	-	8	-	-	-	8
Academy Trusts	33,316,515	173,159	322,402	37,946	524,716	13,669	915,830	35,304,237
	33,381,737	**173,172**	**325,560**	**37,968**	**531,550**	**13,669**	**1,038,341**	**35,501,997**

£11.2 million (2013-14: £11.5 million) for the free schools programme and £0.1 million (2013-14: nil) for the PSBP have been included in the value of AuC as they are directly attributable to these capital projects (excluding any academy staff time).

£4.2 million has been reclassified as an asset held for resale (see Note 13).

8 Property, plant and equipment (continued)

8.3 Group 2014

	Land & Buildings Restated £000	Leasehold Improve'ts Restated £000	IT Equipment Restated £000	Plant & Machinery Restated £000	Furniture & Fittings £000	Motor Vehicles Restated £000	Assets Under Construct'n Restated £000	Total Restated £000
Cost or valuation								
At 1 April 2013 after restatement	25,803,196	5,851	361,426	17,409	449,506	12,227	308,914	26,958,529
Additions	396,189	71,465	142,016	14,299	106,213	4,229	763,110	1,497,521
Transferred in on in-year conversion:								
LA	3,426,986	(4,474)	21,510	2,332	39,774	1,300	33,541	3,520,969
non-LA	921,118	120	7,206	692	11,564	80	5,397	946,177
Transferred in on conversion settlements:								
LA	(1,965)	24,086	1,873	(6,893)	(5,910)	612	15	11,818
non-LA	2,726	20,701	2,153	(107)	56	59	-	25,588
Donations	388,069	4,810	13,697	797	21,952	47	8,273	437,645
Impairment	(3,168,365)	(90)	-	-	(4)	-	(4,050)	(3,172,509)
Disposals	(84,351)	(320)	(13,232)	(95)	(6,589)	(405)	(34)	(105,026)
Reclassification	363,380	11,590	7,380	11,839	5,227	(236)	(403,330)	(4,150)
Revaluations	(428,594)	265	12,729	717	10,766	731	-	(403,386)
At 31 March 2014	**27,618,389**	**134,004**	**556,758**	**40,990**	**632,555**	**18,644**	**711,836**	**29,713,176**
Depreciation								
At 1 April 2013 after restatement	(630,184)	(5,349)	(133,477)	(1,626)	(89,583)	(2,561)	-	(862,780)
Charged in year	(644,538)	(6,587)	(133,313)	(9,944)	(82,428)	(3,335)	-	(880,145)
Impairment	(21)	-	-	-	-	-	-	(21)
Disposals	8,325	233	11,524	53	5,199	198	-	25,532
Reclassification	971	(276)	1,213	(1,797)	(85)	61	-	87
Revaluations	762,138	42	(10,247)	(80)	(9,014)	(473)	-	742,366
At 31 March 2014	**(503,309)**	**(11,937)**	**(264,300)**	**(13,394)**	**(175,911)**	**(6,110)**	**-**	**(974,961)**

8 Property, plant and equipment (continued)

8.3 Group 2014 (continued)

	Land & Buildings Restated £000	Leasehold Improve'ts Restated £000	IT Equipment Restated £000	Plant & Machinery Restated £000	Furniture & Fittings £000	Motor Vehicles Restated £000	Assets Under Construct'n Restated £000	Total Restated £000
Carrying value as at:								
31 March 2014	**27,115,080**	**122,067**	**292,458**	**27,596**	**456,644**	**12,534**	**711,836**	**28,738,215**
31 March 2013	**25,173,012**	**502**	**227,949**	**15,783**	**359,923**	**9,666**	**308,914**	**26,095,749**
Of the total:								
Department	50,845	57	5,428	29	8,857	-	2,268	67,484
Executive Agencies	-	-	-	-	-	-	42,322	42,322
NDPBs	-	-	-	10	-	-	-	10
Academy Trusts	27,064,235	122,010	287,030	27,557	447,787	12,534	667,246	28,628,399
	27,115,080	**122,067**	**292,458**	**27,596**	**456,644**	**12,534**	**711,836**	**28,738,215**

8 Property, plant and equipment (continued)

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

Land and building assets acquired by the Group on conversion of its academy schools are valued on a basis consistent with the Group's other land and building assets; depreciated replacement cost. Following the initial recognition all its school land and building assets will be revalued in line with Group accounting policy every five years, necessitating an expansion of the Group's rolling revaluation programme. Land and building assets for all Group sites opened after 31 March 2012 are revalued on the five year anniversary of their opening.

Under the terms of the lease agreement, no contingent rents are payable and there are no rights to purchase for the Sanctuary Building in London. The commitment is calculated based on the Department exercising a lease break in 2017. There are also no contingent rents payable and no rights to purchase for Piccadilly Gate, Manchester and Earlsdon Park, Coventry. The commitments are calculated based on the full unexpired lives of the leases. These leases are therefore held as operating leases and only leasehold improvements are capitalised.

The Group's surveyors revalue land and buildings in accordance with the Royal Institute of Chartered Surveyors' (RICS) Appraisal and Valuation Manual and Building Bulletins 102 and 103.

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

- Mowden Hall, Darlington April 2015;
- St Paul's Place, Sheffield June 2010; and
- LCC building, Nottingham May 2013.

During 2015-16 some of the Darlington site has been transferred to an academy trust and the remainder has been revalued. The Group is not aware of any material change to any of the other valuation of the properties since the last professional valuations.

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

9 Intangible assets

9.1 Group 2015

	Software Licences £000	Developed Software £000	Non-software Licences £000	Other £000	Assets Under Construc'n £000	Total £000
Cost or valuation						
At 1 April 2014 before restatement	21,623	80,056	129	290	5,467	107,565
Restatement	(210)	(2,460)	-	-	-	(2,670)
At 1 April 2014 after restatement	**21,413**	**77,596**	**129**	**290**	**5,467**	**104,895**
Additions	1,389	-	41	(190)	12,943	14,183
Transferred in on in-year conversion:						
LA	-	-	11	-	-	11
non-LA	-	-	-	-	-	-
Transferred in on conversion settlements:						
LA	(22)	-	-	21	-	(1)
non-LA	203	-	(22)	-	-	181
Donations	52	-	-	-	-	52
Impairments	-	-	(28)	-	-	(28)
Disposals	(91)	(2)	-	-	-	(93)
Reclassification	515	6,942	45	(45)	(6,941)	516
Revaluations	(55)	807	-	150	-	902
At 31 March 2015	**23,404**	**85,343**	**176**	**226**	**11,469**	**120,618**
Amortisation						
At 1 April 2014 before restatement	(16,063)	(61,892)	(49)	(34)	-	(78,038)
Restatement	163	599	-	-	-	762
At 1 April 2014 after restatement	**(15,900)**	**(61,293)**	**(49)**	**(34)**	**-**	**(77,276)**
Charged in year	(2,164)	(10,066)	(29)	(15)	-	(12,274)
Disposals	64	2	-	-	-	66
Reclassification	-	-	(14)	14	-	-
Revaluations	(70)	(623)	-	(18)	-	(711)
At 31 March 2015	**(18,070)**	**(71,980)**	**(92)**	**(53)**	**-**	**(90,195)**
Carrying value at:						
31 March 2015	**5,334**	**13,363**	**84**	**173**	**11,469**	**30,423**
31 March 2014	**5,513**	**16,303**	**80**	**256**	**5,467**	**27,619**

9 Intangible assets (continued)

9.1 Group 2015 (continued)

	Software Licences £000	Developed Software £000	Non-software Licences £000	Other £000	Assets Under Construc'n £000	Total £000
Asset financing:						
Owned	**5,334**	**13,363**	**84**	**173**	**11,469**	**30,423**
Of the total:						
Department	702	11,236	-	-	5,204	17,142
Executive Agencies	-	2,127	-	-	6,265	8,392
NDPBs	75	-	-	-	-	75
Academy Trusts	4,557	-	84	173	-	4,814
	5,334	**13,363**	**84**	**173**	**11,469**	**30,423**

9.2 Group 2014

	Software Licences Restated £000	Developed Software Restated £000	Non-software Licences £000	Other £000	Assets Under Construc'n £000	Total Restated £000
Cost or valuation						
At 1 April 2013 before restatement	17,062	75,954	87	144	8,180	101,427
Restatement	(159)	(607)	-	-	-	(766)
At 1 April 2013 after restatement	**16,903**	**75,347**	**87**	**144**	**8,180**	**100,661**
Additions	2,612	38	-	225	1,659	4,534
Transferred in on in-year conversion:						
LA	150	-	-	-	-	150
non-LA	178	-	22	-	-	200
Transferred in on conversion settlements:						
LA	(323)	-	-	(47)	-	(370)
non-LA	(4)	-	-	(9)	-	(13)
Impairments	-	-	-	(3)	-	(3)
Donations	22	-	-	-	-	22
Disposals	(68)	-	-	-	-	(68)
Reclassification	2,082	4,023	20	(20)	(4,372)	1,733
Revaluations	(139)	(1,812)	-	-	-	(1,951)
At 31 March 2014	**21,413**	**77,596**	**129**	**290**	**5,467**	**104,895**

9 Intangible assets (continued)

9.2 Group 2014 (continued)

	Software Licences £000	Developed Software £000	Non-software Licences £000	Other £000	Assets Under Construc'n £000	Total £000
Amortisation						
At 1 April 2013 before restatement	(12,225)	(51,772)	(10)	(29)	-	(64,036)
Restatement	151	593	-	-	-	744
At 1 April 2013 after restatement	**(12,074)**	**(51,179)**	**(10)**	**(29)**	**-**	**(63,292)**
Charged in year	(2,642)	(11,948)	(29)	(15)	-	(14,634)
Disposals	10	-	-	-	-	10
Reclassification	(1,403)	752	(10)	10	-	(651)
Revaluations	209	1,082	-	-	-	1,291
At 31 March 2014	**(15,900)**	**(61,293)**	**(49)**	**(34)**	**-**	**(77,276)**
Carrying value at:						
31 March 2014	**5,513**	**16,303**	**80**	**256**	**5,467**	**27,619**
31 March 2013	**4,829**	**24,168**	**77**	**115**	**8,180**	**37,369**
Asset financing:						
Owned	**5,513**	**16,303**	**80**	**256**	**5,467**	**27,619**
Of the total:						
Department	1,226	16,306	-	-	5,467	22,999
Executive Agencies	-	-	-	-	-	-
NDPBs	45	(3)	-	-	-	42
Academy Trusts	4,242		80	256	-	4,578
	5,513	**16,303**	**80**	**256**	**5,467**	**27,619**

Intangible assets were revalued on the basis of indices provided in the Public Expenditure System by HMT.

The majority of assets under construction relate to programme developed software projects. Intangible assets introduced to the Group through the conversion of its schools in year have been accounted for on a consistent basis to existing Group assets.

10 Financial instruments

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

10 Financial instruments (continued)

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

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

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

Credit risk
The Group's exposure to credit risk is very low. 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 has a credit (receivables) policy 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.

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

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

11 Non-current asset investments

11.1 Group 2015

	Valued at fair value			Valued at cost		
	Listed Securities & Managed Funds £000	Cash Balances £000	Other £000	Subsidiaries £000	Other £000	Total £000
Balance as at 1 April 2014	55,916	29,007	7,427	87	6,501	98,938
Additions	9,884	52,090	229	(11)	3,626	65,818
Reclassification	(5,797)	(6,368)	(4,097)	730	17,820	2,288
Transferred in on in-year conversions:						
LA	-	-	-	-	-	-
non-LA	-	-	-	-	-	-
Transferred in on conversion settlements:						
LA	-	-	-	-	-	-
non-LA	-	-	-	-	-	-
Disposals	(5,782)	(25,656)	(2)	(30)	(3,584)	(35,054)
Gain on year end revaluation	2,814	-	163	-	-	2,977
Closing balance at 31 March 2015	**57,035**	**49,073**	**3,720**	**776**	**24,363**	**134,967**

Investments in subsidiaries in academy trusts have not been consolidated as immaterial to the group, and have instead been presented as investments at cost.

Partnerships for Schools Limited (company number 04650964, PfS)
The Group held during the year 1 Ordinary share of £1 each in Partnerships for Schools Limited (PfS).

PfS was set up on an equity basis to be the government's delivery agent for capital investment programmes in schools. PfS's responsibilities, assets and liabilities transferred to the Education Funding Agency on 31 March 2012. Following the transfer of PfS's activities the value of the Group's shareholding in the company was fully written down.

The liquidation of the company was completed in July 2014, with formal dissolution of the company completed on 1 November 2014.

11 Non-current asset investments (continued)

11.2 Group 2014

	Valued at fair value			Valued at cost		
	Listed Securities & Managed Funds £000	Cash Balances £000	Other £000	Subsidiaries £000	Other £000	Total £000
Balance as at 1 April 2013	37,262	-	18,288	25	5	55,580
Additions	17,638	13,495	233	12	2,323	33,701
Reclassification	-	14,422	(14,422)	-	-	-
Transferred in on in-year conversions:						
LA	-	-	4	-	-	4
non-LA	-	-	-	50	-	50
Transferred in on conversion settlements:						
LA	137	3,821	3,016	-	5,611	12,585
non-LA	1,786	1,600	275	-	(5)	3,656
Disposals	(4,075)	(4,331)	(1)	-	(1,433)	(9,840)
Gain on year end revaluation	3,168	-	34	-	-	3,202
Closing balance at 31 March 2014	**55,916**	**29,007**	**7,427**	**87**	**6,501**	**98,938**

12 Investments in other public sector bodies

			2015			2014
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Loans:						
Local authority deficits	-	6,282	-	7,301	7,301	-
Capital projects	477	477	-	526	526	-
	477	**6,759**	**-**	**7,827**	**7,827**	**-**
Presented as:						
Current assets	39	39	-	2,649	2,649	
Non-current assets	438	6,720	-	5,178	5,178	
	477	**6,759**	**-**	**7,827**	**7,827**	**-**
Maturity analysis:						
Within one year	39	39	-	2,649	2,649	-
After more than one year but less than five years	162	162	-	4,859	4,859	-
After more than five years	276	6,558	-	319	319	-
	477	**6,759**	**-**	**7,827**	**7,827**	**-**

12 Investments in other public sector bodies (continued)

Capital projects
Loans issued to voluntary aided (VA) schools for capital projects under Schedule 3 of the *Schools Standards & Framework Act 1998*. Interest is charged in accordance with the HMT lending rates. At 31 March 2015 there was only one outstanding loan (2013-14: one), and all balances are scheduled for repayment by 2025. Since the VA school converted to academy status in 2013-14 the loan is eliminated on consolidation.

Local authority deficits
Loans issued to ATs to assist with the ATs' deficit funding following conversion of their school; the loans are fully repayable by the AT by reduction of their grant over a period of time.

This activity has transferred from the Department to EFA from 1 April 2014. A non-operating loss of £7.3 million is recognised in the Department's SoCNE.

Risks associated with other financial assets are disclosed in Note 10.

13 Assets held for sale

			2015			2014
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Valuation						
As at 1 April	3,500	3,500	3,500	-	-	-
In-year reclassifications	-	4,195	4,195	7,109	7,109	7,109
Impairment charge:						
Recognised in administration costs	(2,500)	(2,500)	(2,500)	(3,127)	(3,127)	(3,127)
Debited to revaluation reserve	-	-	-	(482)	(482)	(482)
Disposal value	**1,000**	**5,195**	**5,195**	**3,500**	**3,500**	**3,500**

The in-year reclassification value above represents the carrying value of the non-current asset, prior to any impairment review, at the point the asset was reclassified as an asset held for sale. In April 2013 following the DfE Review, management completed a re-organisation of the Group's office estate resulting in an exit from Castle View House, Runcorn. The property was revalued in accordance with the Group's accounting policy resulting in a realised loss of £3.6 million (2013-14) which was charged to SoCNE.

In accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* the asset had a further valuation in March 2015 to ensure that it is held at the lower of its net realisable value or carrying value less costs to resell. This has resulted in a further loss of £2.5 million being recognised. The property continues to be actively marketed.

13 Assets held for sale (continued)

Where a development project ultimately does not proceed, or where there are surplus elements of properties acquired, these are classified as ‘held for sale’. Two projects, the Wren School and Oasis Community School, Walthamstow, were reclassified to held for sale during the year.

14 Inventories

			2015			2014
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Clothing/uniforms	-	-	6,035	-	-	5,563
Catering supplies	-	-	1,126	-	-	1,112
Grounds maintenance	-	-	14	-	-	19
Stationery	-	-	1,385	-	-	1,254
Other	-	-	1,623	-	-	1,541
	-	**-**	**10,183**	**-**	**-**	**9,489**

15 Receivables

15.1 Analysis by type

			2015			2014
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies Restated £000	Group Restated £000
Amounts falling due within one year:						
Trade receivables	8,385	80,631	121,848	2,802	76,089	69,739
VAT receivable	6,876	6,876	272,437	1,549	1,880	178,208
Deposits and advances	347	414	414	371	406	406
Other receivables	302	15,069	322,089	149	226	287,761
Prepayments and accrued income	5,532	29,972	331,950	920	24,202	348,982
	21,442	**132,962**	**1,048,738**	**5,791**	**102,803**	**885,096**
Amounts falling due after more than one year:						
Trade receivables	-	16,847	10,591	-	1,334	6,824
Prepayments and accrued income	5,599	5,599	5,849	5,623	5,623	5,663
	5,599	**22,446**	**16,440**	**5,623**	**6,957**	**12,487**

15 Receivables (continued)

15.2 Intra-government balances – Amounts falling due within one year

	2015 Department £000	2015 Department & Agencies £000	2015 Group £000	2014 Department £000	2014 Department & Agencies Restated £000	2014 Group Restated £000
Balances with:						
other central government bodies	14,501	32,552	303,923	4,106	62,123	178,261
local authorities	736	1,617	110,228	66	2,939	82,199
NHS bodies	21	21	82	21	21	74
public corporations and trading funds	43	43	45	43	43	51
Intra-government balances	**15,301**	**34,233**	**414,278**	**4,236**	**65,126**	**260,585**
bodies external to government	6,141	98,729	634,460	1,555	37,677	624,511
	21,442	**132,962**	**1,048,738**	**5,791**	**102,803**	**885,096**

15.3 Intra-government balances – Amounts falling due after more than one year

	2015 Department £000	2015 Department & Agencies £000	2015 Group £000	2014 Department £000	2014 Department & Agencies £000	2014 Group Restated £000
Balances with:						
other central government bodies	-	13,133	13,153	-	1,334	1,741
local authorities	-	-	282	-	-	1,847
Intra-government balances	**-**	**13,133**	**13,435**	**-**	**1,334**	**3,588**
bodies external to government	5,599	9,313	3,005	5,623	5,623	8,899
	5,599	**22,446**	**16,440**	**5,623**	**6,957**	**12,487**

16 Cash and cash equivalents

	Department	Department & Agencies	2015 Group	Department	Department & Agencies Restated	2014 Group Restated
	£000	£000	£000	£000	£000	£000
Balance at 1 April	40,427	124,246	2,593,470	15,957	143,484	2,002,756
Net change in cash and cash equivalent balances	45,662	109,492	442,473	24,470	(19,238)	590,714
Balance at 31 March	**86,089**	**233,738**	**3,035,943**	**40,427**	**124,246**	**2,593,470**
The following balances are held at:						
Cash at bank and in hand:						
Government Banking Service	85,577	148,354	148,644	40,268	103,708	103,712
Commercial banks	512	85,384	2,889,555	159	20,538	2,491,351
	86,089	**233,738**	**3,038,199**	**40,427**	**124,246**	**2,595,063**
Overdrafts:						
Government Banking Service	-	-	-	-	-	-
Commercial banks	-	-	(2,256)	-	-	(1,593)
	-	**-**	**(2,256)**	**-**	**-**	**(1,593)**
Balance at 31 March	**86,089**	**233,738**	**3,035,943**	**40,427**	**124,246**	**2,593,470**

The majority of the Department & Agencies commercial bank balances are monies held by solicitors pending completion of land and building asset purchases to support the free school programme.

17 Payables

17.1 Analysis by type

			2015			2014
	Department	Department & Agencies	Group	Department	Department & Agencies Restated	Group Restated
	£000	£000	£000	£000	£000	£000
Overdrafts	-	-	2,256	-	-	1,593
Loans payable	-	-	9,809	-	-	11,002
Finance leases	-	-	2,656	-	-	1,100
Other taxation and social security	2,452	3,853	180,098	2,546	3,893	151,344
VAT payable	-	51	25,820	-	-	4,459
Trade payables	11,079	24,474	403,883	8,116	14,139	324,933
Other payables	3,636	10,842	282,746	3,283	4,535	227,901
Accruals and deferred income	94,770	631,990	1,395,824	75,888	513,618	1,231,127
Corporation tax	-	-	9	-	-	12
Deferred capital grant under 1 year	-	-	-	-	62	62
Amounts issued from the Consolidated Fund for Supply but not spent at year end	233,694	233,694	233,694	102,279	102,279	102,279
Consolidated Fund extra receipts due to be paid to the Consolidated Fund received	42	42	42	1,587	1,587	1,587
receivable	-	-	-	-	-	-
	345,673	**904,946**	**2,536,837**	**193,699**	**640,113**	**2,057,399**

17 Payables (continued)

17.2 Intra-government balances

	Department	Department & Agencies	2015 Group	Department	Department & Agencies Restated	2014 Group Restated
	£000	£000	£000	£000	£000	£000
Balances with:						
other central government bodies	256,883	478,016	508,914	126,655	383,136	473,218
local authorities	26,904	27,374	199,611	17,735	71,681	223,149
NHS bodies	86	758	935	53	53	174
public corporations and trading funds	132	142	278	205	205	423
Intra-government balances	**284,005**	**506,290**	**709,738**	**144,648**	**455,075**	**696,964**
bodies external to government	61,668	398,656	1,827,099	49,051	185,038	1,360,435
	345,673	**904,946**	**2,536,837**	**193,699**	**640,113**	**2,057,399**

18 Non-current payables

18.1 Analysis by type

	Department	Department & Agencies	2015 Group	Department	Department & Agencies	2014 Group
	£000	£000	£000	£000	£000	£000
Loans payable	-	-	26,434	-	-	29,825
Finance leases	-	-	5,361	-	-	4,291
Other payables	-	-	13,442	-	-	15,689
	-	**-**	**45,237**	**-**	**-**	**49,805**

18 Non-current payables (continued)

18.2 Intra-government balances

	Department £000	Department & Agencies £000	2015 Group £000	Department £000	Department & Agencies £000	2014 Group £000
Balances with:						
other central government bodies	-	-	65	-	-	286
local authorities	-	-	20,647	-	-	22,933
Intra-government balances	**-**	**-**	**20,712**	**-**	**-**	**23,219**
bodies external to government	-	-	24,525	-	-	26,586
	-	**-**	**45,237**	**-**	**-**	**49,805**

19 Provisions for liabilities and charges

19.1 Analysis

	Department £000	Department & Agencies £000	2015 Group £000	Department £000	Department & Agencies £000	2014 Group Restated £000
Balance at 1 April	173,240	176,619	180,226	183,240	187,418	189,622
Provided for in year	6,337	15,180	19,602	5,141	5,520	7,908
Provisions not required and written back	(2,775)	(2,896)	(6,667)	(371)	(441)	(1,294)
Provisions utilised in year	(18,344)	(18,745)	(19,424)	(25,160)	(26,268)	(26,400)
Borrowing costs (unwinding of discounts)	2,777	2,778	2,778	3,816	3,816	3,816
Change in HMT's discount rate	5,539	5,539	5,539	6,574	6,574	6,574
Balance at 31 March	**166,774**	**178,475**	**182,054**	**173,240**	**176,619**	**180,226**
Presented as:						
Current provisions	18,662	29,444	33,744	17,307	19,828	22,332
Non-current provisions	148,112	149,031	148,310	155,933	156,791	157,894
	166,774	**178,475**	**182,054**	**173,240**	**176,619**	**180,226**

19 Provisions for liabilities and charges (continued)

19.2 Analysis of expected timing of discounted flows

	Department	Department & Agencies	2015 Group	Department	Department & Agencies	2014 Group Restated
	£000	£000	£000	£000	£000	£000
Not later than one year	18,662	29,444	33,744	17,307	19,828	22,332
Later than one year and not later than five years	50,782	51,391	50,996	53,270	54,128	54,721
Later than five years	97,330	97,640	97,314	102,663	102,663	103,173
	166,774	**178,475**	**182,054**	**173,240**	**176,619**	**180,226**

19.3 Maturity analysis – Group

	Early Departure Costs £000	Retirement Compens'n £000	Property Provision £000	RPA £000	Others £000	Total £000
Not later than one year	3,508	12,462	684	41	17,049	33,744
Later than one year and not later than five years	6,018	43,831	96	442	609	50,996
Later than five years	191	97,089	-	34	-	97,314
	9,717	**153,382**	**780**	**517**	**17,658**	**182,054**

19.4 Analysis by provision type – Group

	Early Departure Costs £000	Retirement Compens'n £000	Property Provision £000	RPA £000	Others £000	Total £000
Balance at 1 April 2014	13,217	158,898	2,310	-	5,801	180,226
Provided for in year	1,280	720	-	911	16,691	19,602
Provisions not required and written back	(682)	(1,585)	(1,345)	-	(3,055)	(6,667)
Provisions utilised in year	(4,326)	(12,728)	(195)	(395)	(1,780)	(19,424)
Borrowing costs (unwinding of discount)	167	2,601	10	-	-	2,778
Change in HMT's discount rate	62	5,477	-	-	-	5,539
Balance at 31 March 2015	**9,718**	**153,383**	**780**	**516**	**17,657**	**182,054**

19 Provisions for liabilities and charges (continued)

19.4 Analysis by provision type – Group (continued)

As a result of HMT's change of methodology for determining discount rates applied to provisions, the Group has changed the rates applied to provisions.

Early departure costs
The Group meets the additional costs of benefits beyond normal PCSPS benefits in respect of employees who retire early, and compensation payments payable to employees who take early severance. The Group provides for this in full when the early retirement programme becomes binding on the Group by establishing a provision for the estimated payments.

Retirement compensation
This long term provision relates to premature retirement compensation of teaching staff of ex-Grant Maintained Schools and Colleges and pension payments relating to the staff of former Departmental bodies (Schools Council, Training Commission and NDPBs). The provision was calculated using data supplied by both Capita Business Services Limited for teachers' pensions and Equiniti Paymaster for former departmental bodies and NDPBs. The calculation was based on the average life expectancy for men and women as detailed by ONS.

Property provision
This provision provides for the future liabilities relating to former programme property leases which were re-assigned to the Secretary of State on the closure of the relevant programmes. The provision is based on the anticipation that the property leases for buildings used by NDPBs will expire in 2015, and the anticipated disposal for the last Training and Enterprise Council property will be in 2016.

Risk protection arrangement
The risk protection arrangement (RPA) for academy trusts is a new scheme that provides an alternative to insurance where losses that arise are covered by government funds. Provision is based on an actuarial model of expected claims. See Note 20 for further details.

Other provisions
Other provisions include various different categories of provisions held by the Group. These include a provision as a result of the finding of a Judicial Review into European School Teachers relating to promotion and retirement rights, disputed utilities costs and equal pay claims. The Judicial Review created an obligation for the Group to make these payments to European School Teachers.

Under the remit of the *Further and Higher Education Act 1992*, as subsequently amended, this provision covers the redundancy, pensions, due diligence and other associated costs involved in the college dissolution and ensuring that existing learners provision and examination is not disrupted.

Details of other provisions held by the EAs and NDPBs can be found in their individual AR&As.

20 Risk protection arrangement

In September 2014 the Department launched the Risk Protection Arrangement as a replacement for commercial insurance for the Group's academy trusts. The launch of the RPA allows the Group to comply better with HMT's Managing Public Money's expectation that central government bodies do not purchase commercial insurance; risks should be borne internally across government.

A flat fee per pupil provides cover in four broad risk types and for two types of claimant:

- Academy trust losses:
  - Property damage and business interruption; and
  - UK travel;
- Non-academy trust claimants:
  - Employers' liability; and
  - Third party liability.

Whilst the risk accepted by the Department arises from the activities of academy trusts, a small portion sits outside the Group due to the potential third party claims. All RPA claims that arise between the Department and academy trusts are removed during the consolidation to leave just those elements that cross the Group boundary. Claim costs are borne by the Department from existing resources; no reserves fund or portfolio of investment assets is built up to cover future claims. RPA membership is restricted to the Group's academy trusts and covers losses incurred at the Group's academies or on academy business. Consequently, the risks associated with the RPA are limited to the academy schools sector within the UK.

No risk is ceded to re-insurance parties.

20 Risk protection arrangement (continued)

20.1 Reported balances

	Department £000	Department & Agencies £000	2014-15 Group £000	Department £000	Department & Agencies £000	2013-14 Group £000
Statement of Comprehensive Net Expenditure						
Membership income (presented in Note 7)	5,189	5,189	-	-	-	-
Expected losses for the year (presented in Note 6, as provisions, provided in year)	3,359	3,359	911	-	-	-
Operational costs (presented in Note 5, as professional fees)	250	250	250	-	-	-
Statement of Financial Position						
Client bank account (presented in Note 16)	81	81	81	-	-	-
Unsettled claims (presented in Note 17, as other payables)	816	816	382	-	-	-
Closing RPA provision (presented in Note 19)	2,383	2,383	516	-	-	-

The table on the previous page discloses all RPA balances recognised in these accounts at all reporting levels. Membership income is collected monthly by the Department, at source from grants payments payable to academy trusts.

RPA operational costs are classified as administration costs.

20 Risk protection arrangement (continued)

20.2 In-year movements

			2014-5			2013-4
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Balance at 1 April	-	-	-	-	-	-
Expected losses in the year	3,359	3,359	911	-	-	-
Unused provisions not required and written back	-	-	-	-	-	-
Valid claims received in the year	(976)	(976)	(395)	-	-	-
Balance at 31 March	**2,383**	**2,383**	**516**	**-**	**-**	**-**

The above table describes the movement in RPA provisions during the year. The closing balance is included within the provisions balances in Note 19.

20.3 Claims development – Department

	2014-15 £000	Total £000
Estimate of cumulative clams:		
At the end of the cover year	3,359	3,359
Cumulative payments	(976)	(976)
Value recognised in the Statement of Financial Position	**2,383**	**2,383**

20.4 Assumptions

As financial year 2014-15 is the first year of RPA operation, the Group had no existing internal data upon which to model the Department's expected losses. To resolve this, the Group commissioned an established commercial insurance specialist to undertake a survey of school insurance activities, including volume and value of recent claims, split by the RPA's four cover groups allied to size and phase of the responding schools.

The survey was conducted across both existing academies and local authority maintained schools yet to convert, to broaden the survey population. This prevented the results from being skewed by the smaller academy sector.

20 Risk protection arrangement (continued)

20.4 Assumptions (continued)

The output of the survey was a data set that could be applied to build loss expectations and membership fee levels for differing annual loss scenarios. These scenarios modelled the impact of differences in the frequency that annual losses would exceed membership fees recovered (such as 1 year in 10, or 1 year in 100 years). Management then reviewed the annual loss scenarios to set a fee basis and loss expectations suitable for a self-insurance scheme.

The two most significant assumptions underpinning the quantification of insurance risk are volume of claims and average claim value. By combining average claim volumes and values we were able to calculate an expected value of claims for a given volume of academies, school numbers being used as the basic membership unit. The expected claims value and volume was then applied to the monthly number of RPA member academies to calculate the expected loss provision.

The Department has retained the Government Actuary's Department (GAD) to provide expert support whilst our data set develops. GAD will perform two separate pieces of work for the Group:

- a backward looking review as at the year end to check that the loss assumptions, including timing of claims, applied in a given year are reasonable when compared to actual performance; and
- a forward looking review as at the start of a cover year to calculate the updated assumptions for that cover year's provisions.

Management are aware that the absence of extensive actual performance data in the first years of the RPA will place reliance on the original survey results. The increasing academy trust RPA membership, allied to the reviews GAD will perform, should be sufficient to provide assurance over the reported RPA balances.

20.5 Risks

Insurance risk

Insurance risk is defined in IFRS 4 as the non-financial risk transferred to an entity in relation to insurance contracts; the risk arising from the unknown outcomes from future loss events. Whilst the Department has taken on insurance risk from those academy trusts who are members of the RPA, the Group position is different. The majority of insurance risk held by the Department, arising from the Group's academy trusts, is eliminated on consolidation leaving only the risk from the two external cover types. Management does not consider that the remaining Group risk is significant.

The Group mitigates insurance risk by improving risk management practice in its academies through Group-wide risk management audits and reviews. The Group has retained the services of a third party insurance specialist to perform the risk management audits and drive best practice adoption.

20 Risk protection arrangement (continued)

20.5 Risks (continued)

Market risk
Neither the Department nor the Group is exposed to market risk in relation to the RPA.

The RPA is a group-wide scheme; claims are settled from existing funds of the Group and no asset portfolio designed to support future payments is being acquired. The absence of an asset portfolio, including fair valued listed assets, and the specific nature of the cover provided removes any market risk exposure – there are no life products.

Credit risk
Neither the Department nor the Group are exposed to credit risk.

All membership fees are wholly within the Group, and the Department is able to recover membership fees from grant payments made to member academy trusts. In addition the Group does not cede insurance risk to a re-insurance provider.

Liquidity risk
The Department and the Group are exposed to liquidity risk.

In the absence of an underlying investment portfolio whose maturity is matched to the expected profile of claim settlements generates the Group's liquidity risk, the Department (and the Group for third party claims) will provide for claims expected in cover years. The settlement of claims related to past cover years will be made from resources set aside through the provisioning process.

All insurance contracts recognised are for a single year from September to August. Academy trusts that join the RPA after September have shortened contracts for their first membership year to align with the rest of the membership.

21 Pension scheme disclosures

Amounts recognised in the accounts in respect of the various defined pension benefit schemes are set out in the tables below. CAFCASS left the Group on 1 April 2014 and has been removed from the pension scheme disclosures. The disclosures below reflect only the Group's academies.

The Group is involved with the LGPS as this is available to non-teaching staff at its schools. The LGPS is a single national scheme that is administered at a local level by fund units that in many, but not all cases, approximate local authorities. Whilst the scheme is national, benefits are accrued at the local fund level.

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

21 Pension scheme disclosures (continued)

The four LGPS actuaries (AON Hewitt; Barnett Waddingham, Hymans Robertson and Mercer) carried out IAS 19 valuations for the Group as at 31 March 2015.

The employer pension contribution for 2014-15 is £423.0 million (2013-14: £346.3 million), the difference in the two years is due to the increase in the number of academies, and employees contributed for, within these figures.

21.1 Analysis of amounts charged to Statement of Comprehensive Net Expenditure

	2014-15 £000	2013-14 Restated £000
Current service cost	537,361	397,789
Past service cost	411	-
Loss on curtailments and settlements	135	274
	537,907	**398,063**

21.2 Analysis of amounts charged to interest payable

	2014-15 £000	2013-14 Restated £000
Expected return on scheme assets	(155,034)	(118,521)
Interest on scheme liabilities	267,493	211,702
	112,459	**93,181**

21.3 Analysis of amounts recognised in other comprehensive expenditure

	2014-15 £000	2013-14 Restated £000
Total actuarial losses/(gains)	954,209	(71,863)
	954,209	**(71,863)**

21.4 Amounts recognised in the Statement of Financial Position

	2014-15 £000	2013-14 Restated £000
Present value of defined benefit obligations	8,203,600	5,472,662
Fair value of scheme assets	(4,238,220)	(3,044,848)
	3,965,380	**2,427,814**

21 Pension scheme disclosures (continued)

21.5 Movement in the present value of defined benefit obligations

	2014-15 £000	2013-14 Restated £000
At 1 April	5,472,662	4,110,430
Current service cost	537,361	397,789
Interest on obligations	267,493	211,702
Actuarial loss/(gains)	1,238,491	(50,202)
Past service cost	411	-
Losses on curtailments	135	274
Liabilities assumed on in-year conversion of academy schools	604,824	728,929
Employee contributions	125,685	103,007
Benefits paid	(43,462)	(29,267)
At 31 March	**8,203,600**	**5,472,662**

21.6 Movement in the fair value of the scheme assets

	2014-15 £000	2013-14 Restated £000
At 1 April	3,044,848	2,199,131
Expected return on scheme assets	155,034	118,521
Employer contributions	423,041	346,316
Employee contributions	125,685	103,007
Actuarial gains	284,282	21,661
Benefits paid	(43,462)	(29,267)
Assets acquired on in-year conversion of academy schools	248,792	285,479
At 31 March	**4,238,220**	**3,044,848**

21 Pension scheme disclosures (continued)

21.7 Reconciliation of deficit

	2014-15 £000	2013-14 Restated £000
At 1 April	2,427,814	1,911,299
Current service cost	537,361	397,789
Employer contributions	(423,041)	(346,316)
Past service cost	411	-
Other finance income	112,459	93,181
Curtailments	135	274
Actuarial losses/(gains)	954,209	(71,863)
Transfer in for in-year conversion of academy schools	356,032	443,450
At 31 March	**3,965,380**	**2,427,814**

21.8 Scheme assets

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

	2014-15 Asset split	2013-14 Restated Asset split
Equities	67.0%	68.0%
Gilts	10.0%	9.0%
Corporate bonds	8.2%	8.2%
Property	8.0%	7.6%
Cash/liquidity	2.9%	3.0%
Other	3.9%	4.2%

The Group’s schools are spread across over more than 120 local LGPS funds, with each fund having their own expectation of appropriate asset returns. In addition assets returns may also vary within a fund depending upon the assets allocated to an employer. Consequently the Group feels it is disingenuous to include aggregate asset returns in the table above.

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

21 Pension scheme disclosures (continued)

21.8 Scheme assets (continued)

	2015 £000	2014 Restated £000	2013 Restated £000
Defined benefit obligations	8,203,600	5,472,662	4,110,430
Scheme assets	(4,238,220)	(3,044,848)	(2,199,131)
Deficit	**3,965,380**	**2,427,814**	**1,911,299**
Experience gains on liabilities	4,397	57,348	74
Experience gains on assets	220,364	21,661	157,526

21.9 Actual return on assets

	2014-15 £000	2013-14 Restated £000
Expected return on assets	155,034	118,521
Actuarial gain on assets	284,282	21,661
Actual return on assets	**439,316**	**140,182**

21.10 The major financial assumptions

	2014-15	2013-14
Rate of inflation	2.4%	2.8%
Expected return on plan assets	3.4%	4.5%
Rate of increase in salaries	3.7%	4.1%
Rate of return on pensions	2.4%	2.8%
Discount rate	3.4%	4.5%

The assumptions used by the actuaries are chosen from a range of possible actuarial assumptions, which due to the timescales covered may not be borne out in practice. Assumptions are set at the local fund level; which in the case of the Group's schools involves all English LGPS funds. The assumptions used in valuing the non-teaching staff benefits have been standardised across all funds and all four actuaries in order to produce valuations that can be aggregated into a single set of disclosures.

Assumptions used in valuing inherited LGPS benefits for schools that convert in-year are set at appropriate values for the date of conversion. Closing valuations as at 31 March 2015 will use the assumptions disclosed in the table above.

The ATs' assumptions dated 31 March 2014 were used by the actuaries to value the LGPS benefits acquired by the Group through the in-year conversions during 2014-15.

21 Pension scheme disclosures (continued)

21.11 Analysis of amounts recognised in Other Comprehensive Expenditure

	2014-15 £000	2013-14 Restated £000	2012-13 Restated £000
Difference between the expected and actual return on scheme assets	220,364	21,661	157,526
Percentage of scheme assets	5%	1%	7%
Experience gains and losses on scheme liabilities	4,397	57,348	74
Percentage of present value of the scheme liabilities	(0.1%)	(4.5%)	0%
Total amount recognised in Other Comprehensive Expenditure	**224,761**	**79,009**	**157,400**
Percentage of present value of scheme liabilities	3%	1%	3.8%

21.12 Sensitivity analysis

	2014-15 £000	2013-14 Restated £000
Impact on the ATs' defined benefit obligation for changes in:		
Discount rate:		
+1.0%	(1,690,935)	(1,145,635)
-1.0%	2,145,548	1,450,651
Mortality rate:		
1 year increase	236,851	50,151
1 year decrease	(232,681)	(47,589)
CPI rate:		
+1.0%	1,449,987	1,007,941
-1.0%	(1,189,356)	(816,259)

The in-year service cost under the revised IAS 19 includes the finance cost or interest that relates to the pension service.

22 Capital and other commitments

22.1 Capital commitments

Contracted and approved commitments at 31 March not otherwise included in these accounts:

			2015			2014
	Department	Department & Agencies	Group	Department	Department & Agencies	Group Restated
	£000	£000	£000	£000	£000	£000
Programmes:						
Free schools	-	1,897,743	1,897,743	-	795,332	795,332
PSPB	-	1,651,731	1,651,731	-	-	-
Property, plant and equipment	73,456	73,456	479,308	-	-	410,008
Intangible assets	-	-	12	-	-	80
	73,456	**3,622,930**	**4,028,794**	**-**	**795,332**	**1,205,420**

The majority of capital commitments relate to school projects managed by the Group. Projects funded by the Education Funding Agency with academy trusts eliminate in the Group figures. These capital commitments do not include the cost of contingent workers engaged in the delivery of the programmes.

The £73 million within the Department relates to the project to reconfigure the Old Admiralty Building which will provide a new modern workplace for London based staff, following relocation from Sanctuary Building in September 2017. This is a project jointly funded between the Department (£18 million), HMT (£52 million) and Government Art Collection (£3 million), expected to be completed over 5 years.

22 Capital and other commitments (continued)

22.2 Commitments under leases

22.2.1 Operating leases

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

	Department	Department & Agencies	2015 Group	Department	Department & Agencies	2014 Group Restated
	£000	£000	£000	£000	£000	£000
Land and buildings						
Not later than one year	15,408	15,408	32,853	15,272	15,272	40,909
Later than one year and not later than five years	29,987	29,987	86,250	40,514	40,514	132,759
Later than five years	20,713	20,713	248,334	20,542	20,542	511,249
	66,108	**66,108**	**367,437**	**76,328**	**76,328**	**684,917**
Expected receipts from sub-leases	(11,137)	(11,137)	(11,137)	(15,248)	(15,248)	(15,248)
	54,971	**54,971**	**356,300**	**61,080**	**61,080**	**669,669**
Other						
Not later than one year	218	218	52,404	222	222	66,902
Later than one year and not later than five years	272	272	72,716	500	500	85,288
Later than five years	-	-	23,127	-	-	21,470
	490	**490**	**148,247**	**722**	**722**	**173,660**

22 Capital and other commitments (continued)

22.2 Commitments under leases (continued)

22.2.2 Finance leases

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

	Department £000	Department & Agencies £000	2015 Group £000	Department £000	Department & Agencies £000	2014 Group £000
Land and buildings						
Not later than one year	-	-	634	-	-	330
Later than one year and not later than five years	-	-	2,450	-	-	1,337
Later than five years	-	-	4,076	-	-	2,921
	-	**-**	**7,160**	**-**	**-**	**4,588**
Other						
Not later than one year	-	-	750	-	-	495
Later than one year and not later than five years	-	-	838	-	-	204
Later than five years	-	-	405	-	-	12
	-	**-**	**1,993**	**-**	**-**	**711**

22.3 Obligations under PFI contracts

	Department £000	Department & Agencies £000	2015 Group £000	Department £000	Department & Agencies £000	2014 Group £000
Not later than one year	-	66	35,099	-	-	34,895
Later than one year and not later than five years	-	109,395	231,094	-	-	141,989
Later than five years	-	781,197	1,338,992	-	-	714,493
	-	**890,658**	**1,605,185**	**-**	**-**	**891,377**

In 2015 the Department launched a further tranche of school improvements through the PF2 mechanism. Three of the batches (Hertfordshire, Luton and Reading, North West and North East) launched in March 2015; the Midlands batch launched in August 2015 and the Yorkshire batch is expected to launch later in the year. As at 31 March 2015 the asset and liabilities relating to the three batches are immaterial and have not been recognised.

22 Capital and other commitments (continued)

22.3 Obligations under PFI contracts (continued)

Under the terms of the wider transaction the Department 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.

22.4 Other financial commitments

			2015			2014
	Department	Department & Agencies	Group	Department	Department & Agencies Restated	Group Restated
	£000	£000	£000	£000	£000	£000
Non-cancellable contracts						
Not later than one year	-	35,163	35,163	-	60,252	60,252
Later than one year and not later than five years	-	47,714	47,714	-	43,118	43,118
Later than five years	-	3,743	3,743	-	559	559
	-	**86,620**	**86,620**	**-**	**103,929**	**103,929**

22.5 Education grant funding commitments

Private finance initiative grants to local authorities and voluntary-aided schools:

			2015			2014
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Not later than one year	-	749,160	749,160	-	745,062	745,062
Later than one year and not later than five years	-	3,007,022	3,007,022	-	3,003,300	3,003,300
Later than five years	-	10,515,503	10,515,503	-	11,265,969	11,265,969
	-	**14,271,685**	**14,271,685**	**-**	**15,014,331**	**15,014,331**

23 Non-IAS 37 contingent liabilities

23.1 Quantifiable

The Group has entered into the following quantifiable 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 2014 Restated £000	Increase in year £000	Liabilities crystallised in year £000	Obligation expired in year £000	31 March 2015 £000	Amount reported to Parliament by Depart'al minute £000
In respect of PFI contracts to the Group's schools	2,100,000	5,200,000	-	-	7,300,000	7,300,000
Tottenham UTC indemnity to cover lease	16,500	-	-	(16,500)	-	-
In respect of lease arrangement with Tottenham Hotspur Property Company	12,500	-	-	-	12,500	-
Guarantee to LGPS funds	6,500	2,000	-	-	8,500	8,500
East London UTC indemnity in respect of design & build contract	5,300	-	-	(5,300)	-	-
Kent County Council for Duke of York Royal Military School	5,000	-	-	-	5,000	-
In respect of indemnity provided to Church of England's Commissioners	5,000	-	-	-	5,000	5,000
East London UTC indemnity to Tottenham Hotspur	467	-	-	(467)	-	-
Other contingent liabilities	502	133	-	(295)	340	-
Tenant default agreements	2,501	-	-	-	2,501	-
COGA conditions on children centre and playground	416	-	-	(39)	377	-
Supplier dispute	500	-	80	-	580	-
	2,155,186	**5,202,133**	**80**	**(22,601)**	**7,334,798**	**7,313,500**

23 Non-IAS 37 contingent liabilities (continued)

23.1 Quantifiable (continued)

PFI contracts
The contingent liability relating to school buildings arose in connection to the Private Finance Initiative (PFI). These contingent liabilities are the result of the Group, acting as an agent to the Secretary of State, agreeing to provide an indemnity to the local authority for potential costs on buildings they own, with existing PFI arrangements, which will be used by the Group's schools.

This type of indemnity is considered low risk and is only a feature of the academy programme in very specific circumstances. The contingent liabilities only arise where the Group is using a local authority building with an existing PFI contract. The liability has been increased to £7.3 billion in 2014-15 to reflect significant expansion of the academies programme.

East London UTC lease
Indemnity to cover the cost of the 35 year lease of a Group educational site.

Guarantee provided to Tottenham Hotspur Property Company
The contingent liability is in relation to a commercial lease arrangement for a Group educational site.

Guarantee to the Local Government Pension Scheme
A guarantee to an LGPS to meet the pension deficit if an AT closes. Increased to £8.5 million in 2014-15 in line with annual estimates.

Indemnities in respect of East London UTC
One year indemnities to Tottenham Hotspur Property Company to cover the cost of a serviced lease and in relation to the design and build contract should the project be terminated before the contract is completed.

Indemnity provided to Kent County Council
The contingent liability is for any unforeseen liability to the contractor in respect of contamination, defect or asbestos presence at the Duke of York Royal Military school site.

Indemnities provided to Church of England Commissioners
Indemnities provided to Church of England Commissioners in relation to a lease arrangement for an academy site.

All of the above relate to the Group's school operations. They were provided by the Secretary of State to assist the conversion from the maintained sector to the academy sector.

Other contingent liabilities
These balances cover three separate liabilities (Free School Principal designates, Free School Norwich lease and employee appeal against dismissal) all individually below the £300,000 disclosure limit to Parliament.

23 Non-IAS 37 contingent liabilities (continued)

23.1 Quantifiable (continued)

Restated liabilities:

Tenant default agreement

The EFA has entered into a number of tenant default agreements which give rise to a contractual obligation to pay monies to the landlord up to a fixed cap in certain circumstances where the Free School tenant is in breach of its lease.

During 2014-15 the EFA restated the default agreement in relation to Reach Free School from £534,000 to £267,000; which had the effect of reducing the contingent liability from £2,768,000, reported in 2013-14's AR&A, to £2,501,000 presented above.

Supplier dispute

One of the Group's academies, St Joseph's Catholic College, is currently pursuing a claim against a number of suppliers following sub-standard work on its estate. If the claims are not successful the academy estimates it will be liable for remedial repairs and legal costs.

Conditions of grant aid (COGA) conditions on children centre and playground

The Deanery Church of England Primary School will be required to repay two grants received from Birmingham City Council if the academy breaches the conditions of grant aid agreement attached to the grants.

23.2 Unquantifiable

Junior ISA Account (JISA)

In November 2012, the Chancellor agreed with the then Education Secretary Michael Gove to the setting up of a junior ISA account for all children in care in the UK, with an initial payment of £200 each (from Department budgets). The JISA accounts are managed by a party independent from the Department and the funds are not accessible by the Department.

To be eligible for the JISA, a child must be looked after for at least one year. Since the launch of the scheme, over 55,000 accounts have been set up. The contingent liability will only arise if an individual makes a future claim when they turn 18 and no JISA has been set up. In such circumstances the Department will be required to settle the value of a JISA calculated on the individual's timings.

23.3 Contingent liabilities under IAS 37

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

23 Non-IAS 37 contingent liabilities (continued)

23.4 Contingent assets

Horncastle Group Plc is required by the conditions of the planning obligation to build a primary school in relation to its South Brough development. The cost of the primary school has been estimated at £2.3 million and Horncastle Group Plc will be required to fund the primary school's construction once 200 houses have been sold from the South Brough development.

24 Losses and special payments

24.1 Losses statement

The total of all losses that have been recognised this year is as follows:

	Department	Department & Agencies	2014-15 Group	Department	Department & Agencies Restated	2013-14 Group Restated
Total number of cases	30	78	113	36	68	83
	£000	£000	£000	£000	£000	£000
Cash losses	19	741	898	12	147	1,353
Fruitless payments and constructive losses	2,486	8,119	8,206	755	1,210	1,220
Claims waived or abandoned	-	3	62	88	144	147
Administration losses	-	3	499	-	-	122
	2,505	**8,866**	**9,665**	**855**	**1,501**	**2,842**

Details of cases over £300,000

The Department for Education and its supplier decided to stop work on the School Performance Data Programme (SPDP) in June 2014 when it became clear that the delivery of key elements was going to be delayed. With a significant IT transformation programme taking place within the Department, and other changes across government including a proposed Crown Hosting Service, it was also clear that it was not the right time to progress with the project in its current form. The value of the loss is £2.5 million: as this exceeds the Departmental delegated limit, appropriate approvals have been obtained. While SPDP itself was not progressed, the Department gained significant value from the contribution it made to shaping our approach on other key data projects. For example, we have made significant improvements to our register of schools (EduBase) and are now bringing together information on educational attainment and employment after leaving education.

24 Losses and special payments (continued)

24.1 Losses statement (continued)

The Group incurred cash losses where it has not been able to claw back funds from underperforming commercial and charitable education providers. As part of the Group's contract management of these providers the Group regularly and frequently reconciles the payments made to actual sums earned by these providers to minimise the risk of potential loss. The Group offsets recoveries where possible against future profiled payments. However, debts can arise where sum the provider can earn under the remaining funding agreement is not sufficient to cover the sum the Group has to recover. In these cases, the Group invoices the provider for any outstanding balance.

Scientiam Limited
In February 2013 one of the Group's commercial and charitable education providers, Scientiam Limited, went into administration owing £328,789. Following the liquidation of its remaining assets the Group received a final payment of £10,614 from the appointed liquidator Mazars LLP. As a consequence, the Group has had no choice but to write off the remainder of the debt (£318,175).

Tauheedul Islam Boys High School
Local authority planning permission granted in relation to the original site acquired for Tauheedul Islam Boys High School was challenged and overturned by Blackburn with Darwen Council. Whilst it is possible for the Group to appeal against this decision, advice suggests that any new planning consent granted is highly likely to be challenged and overturned on the same grounds. For this reason an alternative permanent site for the school is currently being sought and the costs of £1,560,919 incurred in developing the original site written off as a fruitless payment. HMT approval for the loss has been obtained.

Durham Free School
After five terms Ofsted judged Durham Free School's overall effectiveness to be inadequate. Having considered the academy trust's representations, the Secretary of State decided that there was not sufficient evidence that the academy trust had the capacity or a suitable strategy to bring about the necessary improvements needed and their funding agreement was terminated. The Group incurred unrecoverable costs of £376,852 in relation to this project. Additionally, non-current assets worth £28,110 acquired for Durham Free School were gifted to the local authority, by the Group, at the point of closure. HMT approval for the loss has been obtained.

Manchester Studio School
This early studio school project was jointly developed with Manchester College, with the Group incurring £458,507 in relation to the project. Unfortunately, low pupil numbers made the school potentially financially unsustainable and the Minister and the academy trust terminated the funding agreement jointly in August 20`14. HMT approval for the loss has been obtained.

24 Losses and special payments (continued)

24.1 Losses statement (continued)

Liverpool LowCarbon and SuperPort University Technical College
The Group incurred unrecoverable costs including surveys, property agent fees, fees for technical and legal advice and initial works on a site totalling £882,379 in relation to the one viable site identified for Liverpool LowCarbon and SuperPort University Technical College. Unfortunately, that site subsequently became no longer viable when one leaseholder pulled out of the sale and it has not been possible to find an alternative site for the project. HMT approval for the loss has been obtained.

24.2 Special payments

			2014-15			2013-14
	Department	Department & Agencies	Group	Department	Department & Agencies Restated	Group Restated
Total number of cases	51	56	164	43	45	80
	£000	£000	£000	£000	£000	£000
Total value	**778**	**837**	**3,844**	**226**	**284**	**1,104**

Academy Trusts have the delegated authority to make special severance payments under £50,000. Payments over this value require prior approval from HMT via the Group. The Group discloses two special severance payments above this limit above. In both cases the ATs have applied for retrospective approval and both cases are under review by HMT. If HMT does not approve the payments the Group will work on a solution with the ATs, including possible recovery of funds.

25 Related party transactions

The Department is the parent of the EAs and sponsor of the NDPBs and ATs shown in Note 26. These bodies are regarded as related parties with which the Department has had various material transactions during the year. These are mainly financing to the EAs, payments for grants in aid to the NDPBs and payments for grants to the ATs. All such transactions have been eliminated during the preparation of these consolidated accounts.

In addition, the Group has had a number of transactions with other government departments, other central government bodies, local authorities and some charitable organisations. Most of these transactions have been with the Department for Culture, Media and Sport, the Department for Communities and Local Government, the Department for Business, Innovation and Skills, Department of Health and local authorities.

25 Related party transactions (continued)

The Department also makes pension contributions into public sector pension schemes including the PCSPS, LGPS and TPS.

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

- Matthew Hancock was a Minister with responsibilities in BIS.
- David Laws was a Minister with responsibilities in the Cabinet Office.
- Paul Marshall is chair and a trustee of Centreforum, and a trustee or ARK Education Limited.
- Dame Sue John is a board member and trustee of Teaching Leaders (who develop middle leaders in challenging schools), a board member and trustee of Future Leaders Project Board (developing future school leaders) and senior partner and trustee of the Challenger Partnership Charitable Trust (improving schools through collaboration).
- Marion Plant is a Trustee of North Warwickshire and Hinckley College, South Leicestershire College and Church of England National Society.
- Peter Lauener is Chief Executive of the Skills Funding Agency.
- Simon Judge is a board member of the Teacher's Pension Scheme.

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

	2014-15 Payments £000	2014-15 Receipts £000	2013-14 Payments £000	2013-14 Receipts £000
Department for Business, Innovation & Skills	811,497	(12,950	2,130	(1,363)
Cabinet Office	300	(18)	3,400	-
Future Leaders Ltd	5,122	56	4,719	(414)
Challenge Partnership	66		124	(49)
Centreforum	50	-	-	-
ARK Education Limited	124	-	-	-
Teaching Leaders	5,565	-	4,136	-
North Warwickshire and Hinckley College	11,604		n/a	n/a
South Leicestershire College	5,058		n/a	n/a
Church of England National Society	559		n/a	n/a
Skills Funding Agency	10,005	(2,710)	n/a	n/a
Teacher's Pension Scheme	13,644	-	n/a	n/a
New School Network	-	-	1,130	-
Future Leaders Charitable Trust	-	-	276	(103)
London Leadership Strategy	-	-	54	-
The Mellor Educational Trust	-	-	50	-

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

The above disclosures are for the Department, Executive Agencies and OCC only; they do not include transactions between the Group's academy trusts and the reported entities.

26 Entities within the Group boundary

26.1 Closing position

The entities within the Group during 2014-15 were as follows:

Executive Agency:

- Education Funding Agency (EFA);
- National College for Teaching and Leadership (NCTL);
- Standards and Testing Agency (STA);

Executive NDPB:

- Office of the Children's Commissioner (OCC)

The Annual Report and Accounts of all of the above can be found on GOV.UK website[40].

Advisory NDPB:

- School Teachers' Review Body (STRB)
- Social Mobility and Child Poverty Commission (SMCPC)

Other:
Academy Trusts[41] operational as of 31 March 2015, as established under *Education Act 2010*.

26.2 Movements of bodies in the Group

On 1 April 2014, there was a transfer of functions involving CAFCASS, the NDPB responsible for safeguarding and promoting the welfare of children who are involved in family court proceedings. The transfer of functions took effect on 1 April 2014 to Ministry of Justice (MOJ). The 2013-14 comparative amounts have therefore been restated in accordance with Machinery of Government change procedures.

[40] The Stationery Office's website is at https://www.gov.uk/government/publications.
[41] A full list of academy trusts, and their academies, is available at:
https://www.gov.uk/government/collections/dfe-annual-reports

27 Transfer of Academy Trust schools

	Local Authority	Non-local Authority	2014-15 Total	2013-14 Total Restated
	£000	£000	£000	£000
Non-current assets				
Property, plant and equipment	2,751,380	1,026,727	3,778,107	4,467,146
Intangible assets	11	-	11	350
Investments	-	-	-	54
Receivables	-	1	1	149
Current assets				
Inventories	169	13	182	642
Receivables	36,585	75,071	111,656	34,795
Cash and cash equivalents	92,096	23,909	116,005	145,251
Current liabilities				
Payables	(360)	(105,912)	(106,272)	(14,213)
Financial liabilities	(773)	-	(773)	-
Non-current liabilities				
Payables	(615)	(3)	(618)	(229)
Financial liabilities	(1,466)	-	(1,466)	-
Provisions	-	(872)	(873)	-
Pension scheme deficit	(248,270)	(107,762)	(356,032)	(443,450)
Net assets transferred on in-year converters	**2,628,763**	**911,171**	**3,539,928**	**4,190,487**
Net adjustment for conversion settlements	78,087	(744)	77,343	128,236
Net assets	**2,706,844**	**910,427**	**3,617,271**	**4,318,723**

	In-year Converters			
	Local Authority Number	Non-local Authority Number	Total Number	Total Number
Number of operational academy schools	**657**	**350**	**1,007**	**1,082**

On conversion of a school to academy status from a pre-existing school (such as a local authority maintained school, foundation school, faith school, etc.) the assets and liabilities of the school will be transferred at cost to the AT that operates the school. For academy schools without a legacy school (such as free schools and studio schools) assets and liabilities may be inherited by the AT from third parties such as sponsors.

In either case the AT, and ultimately the Group, will account for all inherited assets and liabilities introduced to the Group on the opening of an academy school under absorption accounting. New Group assets and liabilities are not revalued to fair value on introduction but carried at net book value. Land and building assets and pension scheme valuations are adjusted arising from harmonising accounting policies for new Group assets and liabilities.

Transfer on conversion settlements occur in the year after conversion of an academy school when accounting estimates of transferred assets and liabilities are firmed up by ATs during their first audit.

28 Cash flows from operating activities

				2014-15			2013-14
	Notes	Department	Department & Agencies	Group	Department	Department & Agencies	Group Restated
		£000	£000	£000	£000	£000	£000
Net operating cost		(838,416)	(57,172,626)	(55,311,081)	(818,355)	(55,719,936)	(56,836,168)
Adjustments for non-cash transactions		(22,360)	47,384	1,426,444	5,482	55,645	4,370,038
Gain on conversion of non-LA academies		-	-	(911,171)	-	-	(881,470)
Settlement gains on conversion of non-LA academies		-	-	744	-	-	(47,273)
(Increase)/decrease in inventories	14	-	-	(694)	-	46	(1,350)
(Increase)/decrease in receivables	15	(15,627)	(45,648)	(167,594)	6,098	(51,124)	(461,745)
Less movements in receivables relating to items not passing through the SoCNE		-	-	-	-	-	-
Increase/(decrease) in payables	17	151,974	264,833	474,870	(197,981)	62,123	383,045
Less movements in payables relating to items not passing through the SoCNE		(129,870)	(129,870)	(129,870)	39,851	39,851	39,851
Use of provisions	19	(18,344)	(18,745)	(19,424)	(25,160)	(26,268)	(26,400)
Employers' pension contributions		-	-	(423,041)	-	-	(346,316)
Other pension movements		43	43	-	-	-	-
Gains on curtailments		-	-	135	-	-	-
Cash outflow from operating activities		**(872,600)**	**(57,054,629)**	**(55,060,682)**	**(990,065)**	**(55,639,663)**	**(53,807,788)**

29 Events after the reporting period

ATs have continued to be incorporated and open new academy schools throughout the period from the year end to the date of these accounts. The link in Note 26 includes all new ATs as well as those operational as at the year end. The Group successfully launched the penultimate batch of its private finance programme on 12 August 2015. Following the launch of the batch the Group is committed to servicing the maintenance of the eight schools for the twenty-five rental period. The commitment has been initially valued at £338 million across the twenty five years.

With effect from the 1 September 2015, the Department has acquired both the Government Equalities Office (within the Department) and the Equalities and Human Rights Committee (as an Executive NDPB), to enable consistency with the Secretary of State's remit as Minister for Equalities.

These accounts were authorised for issue by Chris Wormald (Accounting Officer) on the date they were certified by the Comptroller & Auditor General. With the exception of the above, there have not been any other significant post reporting period events that have required disclosures in the accounts.