



National Audit Office

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## Departmental Overview

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# The performance of the Department for Education 2013-14

DECEMBER 2014

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Our vision is to help the nation spend wisely.

Our public audit perspective helps Parliament hold government to account and improve public services.

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO, which employs some 820 employees. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £1.1 billion in 2013.

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# Introduction

## Aim and scope of this briefing

- 1** The primary purpose of this report is to provide the Education Select Committee with a summary of the Department for Education's (the Department's) activity and performance since September 2013, based primarily on published sources, including the Department's own accounts and the work of the National Audit Office (NAO).
- 2** Part One focuses on the Department's activity over the past year. Part Two examines developments in this Parliament. Part Three concentrates on NAO analyses of activity over the last year.
- 3** The content of the report has been shared with the Department to ensure that the evidence presented is factually accurate.
- 4** The financial information contained within this report is drawn from the Department's most recently published accounts for the financial year 2012-13. Updated information on the Department's accounts for the financial year 2013-14 and on the views of staff, collated as part of the 2014 Civil Service People Survey, will be available in early 2015.

# Part One

## About the Department

### The Department's responsibilities

**1.1** The Department for Education (the Department) was formed on 12 May 2010 succeeding the Department for Children, Schools and Families. It is responsible for education and services for children and young people up to the age of 19 in England.

**1.2** The Department's strategic priorities for this Parliament are to:<sup>1</sup>

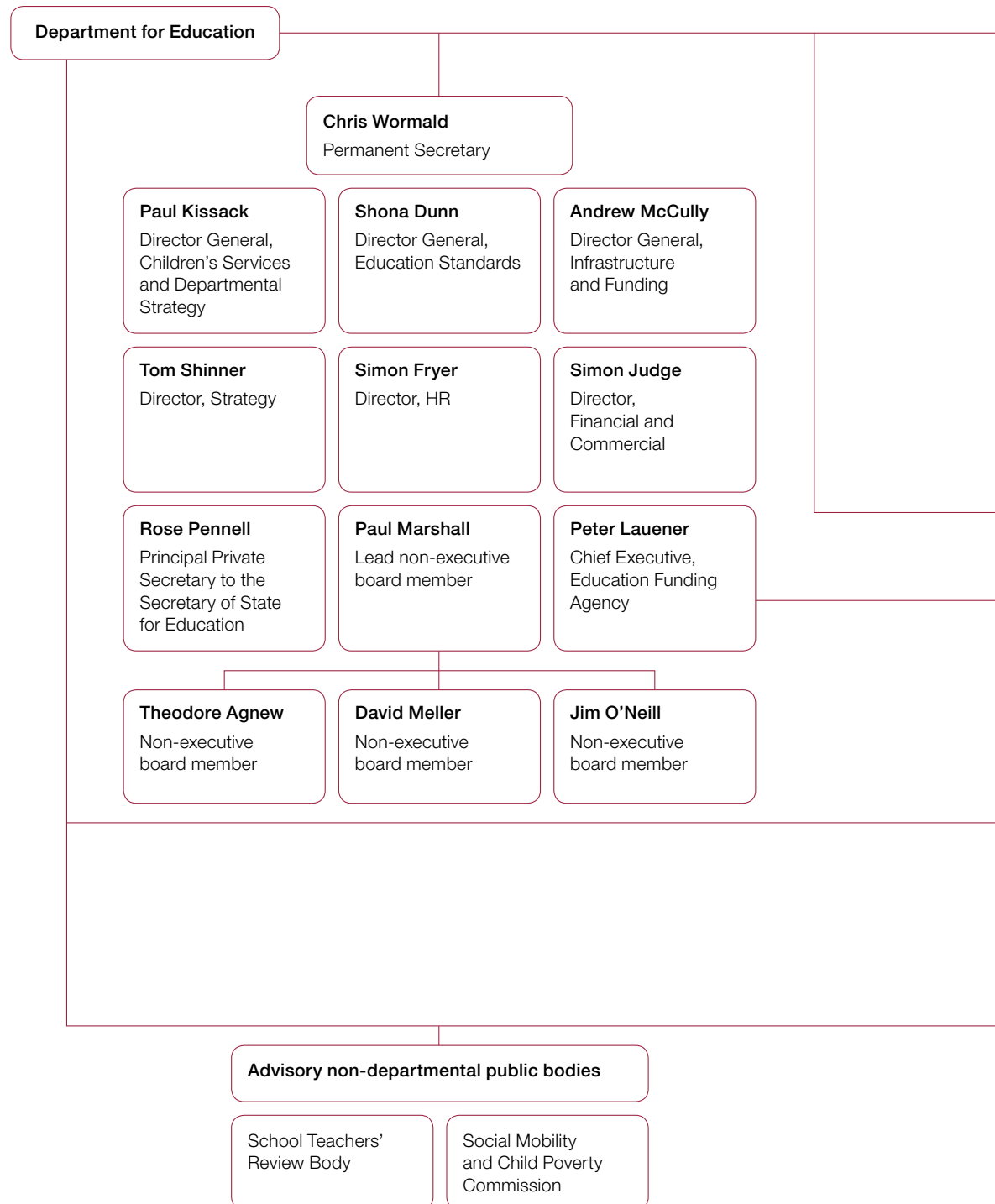
- increase the number of high-quality schools and introduce fair funding;
- reform the school curriculum and qualifications;
- reduce bureaucracy and improve accountability;
- train and develop the professionals who work with children;
- improve services for children in their early years; and
- improve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

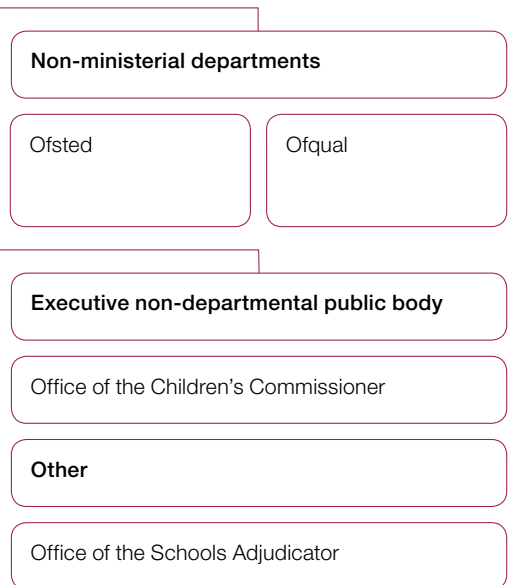
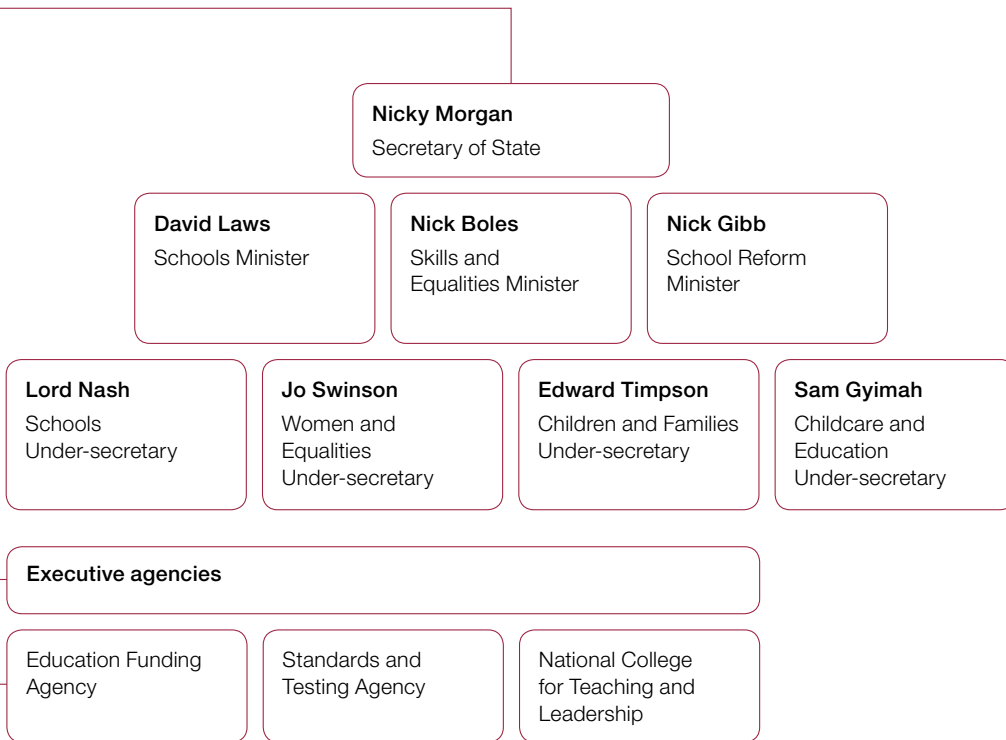
### How the Department is organised and governed

**1.3** The Department works with 9 agencies and public bodies to deliver its priorities and objectives (**Figure 1** on pages 6 and 7), the most significant of which is the Education Funding Agency (the Agency) (see further information at paragraph 1.10). More than 90% (**Figure 2** on page 8) of the Department's funding from Parliament is devolved to other bodies that use it to fund a range of providers, including:

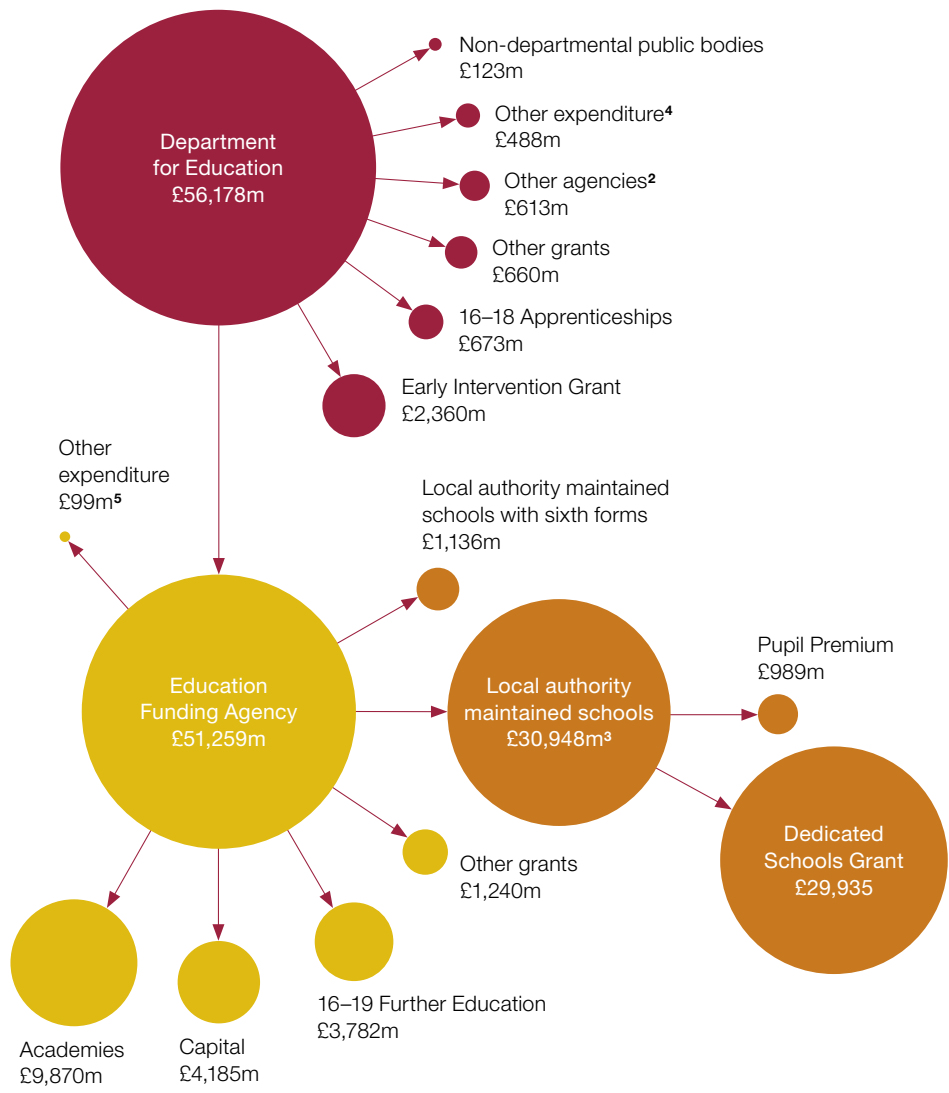
- 17,300 maintained schools as at January 2014;<sup>2</sup>
- 3,600 academies as at January 2014;<sup>3</sup>
- 366 further education and sixth form colleges;<sup>4</sup> and
- 121,300 providers of childcare and Early Years education.<sup>5</sup>

**Figure 1**  
Structure of the Department





**Figure 2**  
Department for Education expenditure in 2012-13<sup>1</sup>



**Notes**

- 1 Figures exclude transactions between entities within the departmental group. Individual items of expenditure may not sum to totals owing to rounding.
- 2 Refers to the Department's other 2 executive agencies – Standards and Testing Agency and National College for Teaching and Leadership, see further at paragraphs 2.17 to 2.19.
- 3 £30,948 million includes additional grant scheme expenditure of £24 million.
- 4 Figure includes programme staff costs, administration and staff costs, corporation tax and other miscellaneous expenditure.
- 5 Figure includes programme staff costs and other administration and staff costs.

Source: National Audit Office analysis of Department for Education group and Education Funding Agency Annual Report and Accounts 2012-13



**1.4** The Department also determines policy for providing children's services to some 380,000 children in need<sup>6</sup> and 69,000 children in care.<sup>7</sup>

**1.5** During 2012-13, the core Department directly employed an average of 2,845 full-time equivalent staff,<sup>8</sup> 2% higher than the number employed in 2011-12.<sup>9</sup> Maintained schools and academies across England employed approximately 450,000 full-time equivalent teachers and 243,000 teaching support staff, as at November 2013.<sup>10</sup>

### Departmental governance

**1.6** The Secretary of State for Education has overall responsibility for the Department and is supported by 7 ministers (Figure 1). The Departmental Board includes the full ministerial team, permanent secretary, directors general, finance director, human resources director and non-executive members of the Board. The purpose of the Board is to provide strategic and operational leadership alongside scrutiny and challenge of the Department's performance. It aims to meet between 6 and 8 times a year and is supported by 3 committees: the Management Committee, the Performance Committee and the Audit and Risk Committee.<sup>11</sup>

**1.7** The chief executives of the executive agencies and non-departmental public bodies (NDPBs) sponsored by the Department are responsible for establishing and maintaining their own governance arrangements, as set out in their framework documents. These have been agreed between the Secretary of State, the responsible director general and the respective chief executive for each agency and NDPB, and are approved by HM Treasury and the Cabinet Office. In addition, agencies' activities are reflected in departmental delivery plans and reported to the Board and other committees during strategic quarterly performance reviews.<sup>12</sup>

**1.8** The Office for Standards in Education, Children's Services and Skills (Ofsted) and Office of Qualifications and Examinations Regulation (Ofqual) are independent non-ministerial departments. Ofsted inspects and regulates services which care for children and young people, and those providing education and skills for learners of all ages. Ofqual regulates qualifications, examinations and assessments in England and a wide range of vocational qualifications in England and Northern Ireland. It also provides advice to government on qualifications and assessment.

### Where the Department spends its money

**1.9** The Department provides revenue and capital funding to local authorities, academies and free schools, further education colleges, sixth form colleges and other education providers. Data in this section are presented from the Department's and the Agency's latest audited accounts for 2012-13 published in January 2014. The reason for the delay in the publication of the 2013-14 accounts is because of the consolidation of academies' financial statements into the main group accounts. Updated information on the Department's accounts for the financial year 2013-14 will be available in early 2015.

**1.10** The Department and its agencies, combined, spent £56.2 billion in 2012-13,<sup>13</sup> remaining within their estimated total expenditure of £58 billion.<sup>14</sup> The Department did not spend its full capital budget, owing to delays to some projects, or its full administrative budget, because of its ongoing programme of restructuring (paragraphs 2.17 to 2.19). The Department experienced financial volatility during the year; the most significant issues related to programme budgets for academy trusts, the Pupil Premium and apprenticeships.<sup>15</sup> Of total expenditure, 91% (£51.3 billion)<sup>16</sup> was distributed to the Agency to be allocated – either directly or via local authorities – to schools and services for young people. Figure 2 shows where the Department spent its money in 2012-13.

**1.11** The core Department's programme spend was £4.1 billion in 2012-13.<sup>17</sup> Fifty-nine per cent (some £2.4 billion) was spent on the Early Intervention Grant with the aim of securing better results and life chances for children, young people and families (paragraph 2.25). The grant can support, for example, mental health activities in schools or Sure Start centres.<sup>18</sup> Sixteen per cent (£673 million) of the core department's spending paid for 16- to 18-year-olds to participate in apprenticeships. The remaining 25% was spent on a range of expenditure and grants.

### **Staff attitudes**

**1.12** The government has conducted its Civil Service People Survey annually for the past 5 years. We include here information drawn from the most recently published survey carried out during October 2013. Updated information from the October 2014 survey will be available in early 2015. Continuing our practice in past briefings, we summarise the views of the Department's staff on a number of key issues, and compare them with benchmarks for the civil service as a whole. Detailed results for all departments are reproduced at Appendix Two.

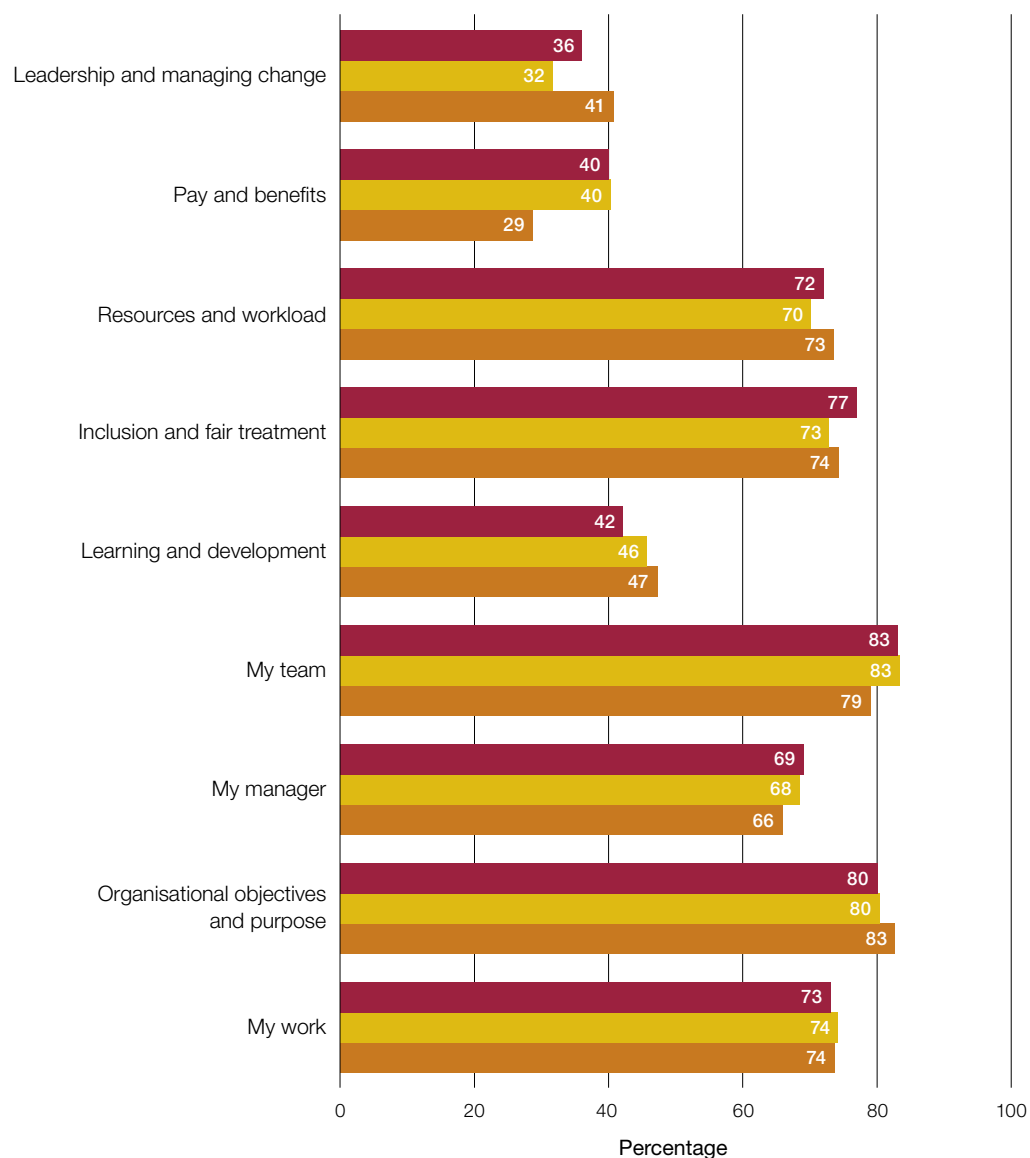
**1.13** The survey had a response rate of 91%. It found that the Department was below the benchmark for 5 of the 9 themes (**Figure 3**), including overarching themes that reflect how well departments have responded to the austerity period: 'leadership and managing change' and 'organisational objectives and purpose'. The Department's results were in line with or above the benchmark for themes covering: 'my team', 'my work', 'my manager' and 'pay and benefits'.

**1.14** The results showed the Department had made mixed progress since the 2012 survey.<sup>19</sup> The 2013 survey showed an improvement in staff attitudes for 4 themes, including 'learning and development' and 'my work'. However, it showed declining satisfaction for 4 themes, most significantly 'leadership and managing change' and 'inclusion and fair treatment'. The Department was noticeably below the civil service benchmark overall at both theme and individual question levels for the themes 'leadership and managing change' and 'organisational objectives and purpose' (**Figure 4** on page 12).

**Figure 3**

Department for Education’s staff attitudes by Civil Service People Survey theme

The Department has made mixed progress since the 2012 survey



- Education average 2012
- Education average 2013
- Civil service benchmark average

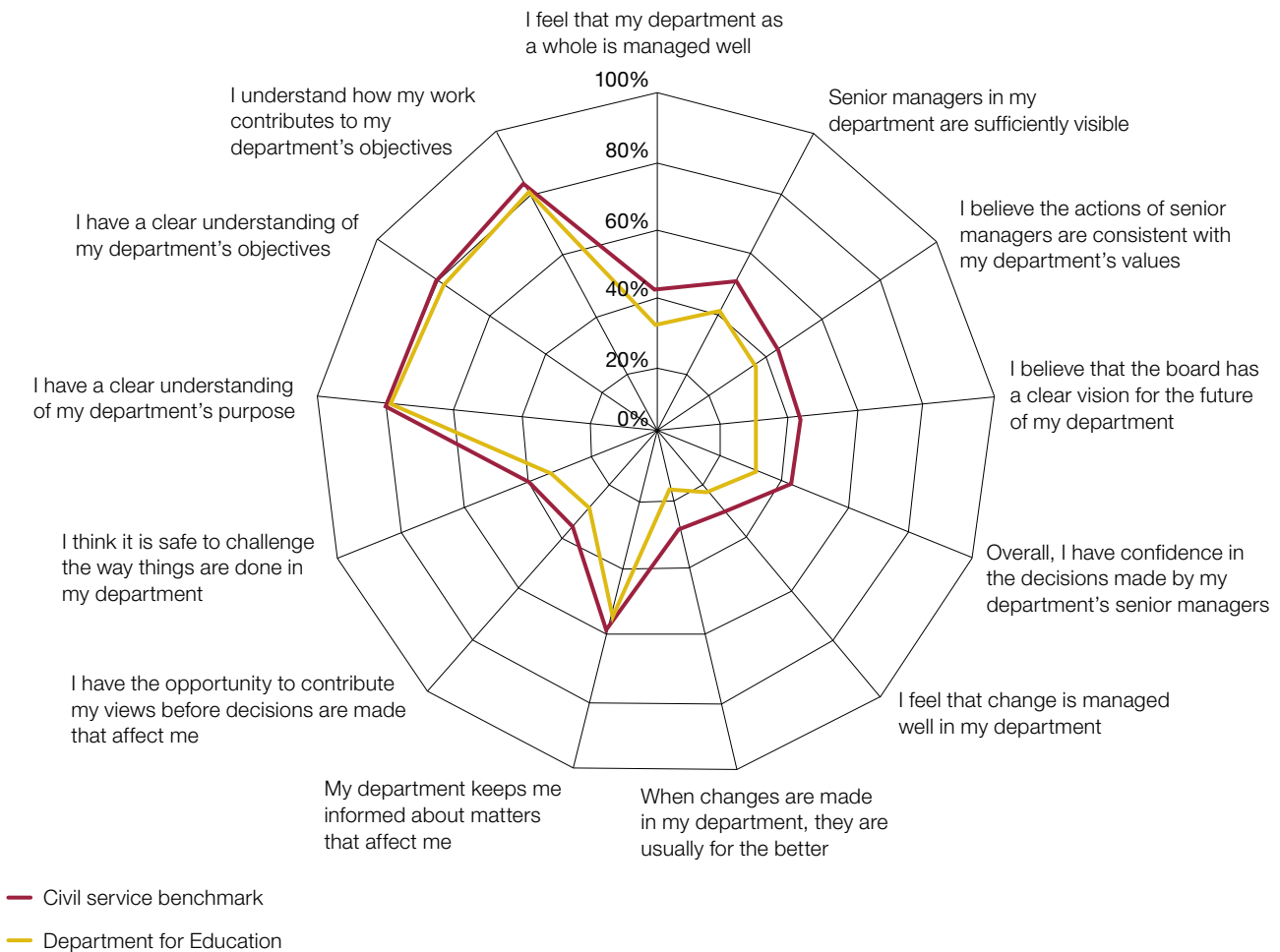
**Notes**

- 1 Results shown are for respondents who ‘strongly agreed’ or ‘agreed’ with the statements underlying each theme.
- 2 The 2013 benchmark is the median per cent positive across all organisations that participated in the 2013 Civil Service People Survey.
- 3 Results are rounded to the nearest per cent.

Source: National Audit Office analysis of the Civil Service People Survey

**Figure 4**

Detailed breakdown of Department for Education staff attitudes to ‘leadership and managing change’ and ‘organisational objectives and purpose’ themes



**Notes**

- 1 Results shown are for respondents who 'strongly agreed' or 'agreed' with the statement.
- 2 The 2013 benchmark is the median per cent positive across all organisations that participated in the 2013 Civil Service People Survey.

Source: National Audit Office analysis of the Civil Service People Survey

**1.15** As part of the annual survey, each department receives an engagement index. The index assesses the level of staff engagement by considering the extent to which staff speak positively about the organisation, have emotional attachment and commitment to it, and are motivated to do their best for it. In 2013 the Department achieved an engagement index of 51%.<sup>20</sup> This was 5 percentage points lower than the previous year (October 2012) and 7 percentage points lower than the civil service benchmark (October 2013).

# Part Two

## Developments in this Parliament

### Changes to the Department's spending since 2010

**2.1** The resource and capital budgets for the Department for Education (the Department) for the financial years 2011-12 to 2014-15 were set out in the 2010 Spending Review Settlement.<sup>21</sup> The settlement represented a real-term reduction in the Department's resource budget of 3.4% over the 4 years against the 2010-11 baseline of £50.8 billion. The settlement also reduced the Department's capital budget by almost 60% in real terms over the same period compared with the 2010-11 baseline of £7.6 billion. In 2013 the Department received an additional £1.6 billion to spend on reducing pressure on school places and a further £125 million to expand the provision of University Technical Colleges.<sup>22</sup>

**2.2** The 2010 Spending Review set out the following key spending commitments.

- An increase to the schools budget of £3.6 billion in cash terms by the end of the Spending Review period.<sup>23</sup> This was equivalent to a 0.1% increase in real terms in the schools budget each year.
- Fifteen hours a week of Early Years education and care to be extended to all disadvantaged 2-year-olds.
- The review also reduced the non-schools budget by 12% in real terms, including a 33% reduction in administration expenditure.<sup>24</sup>
- During 2011-12 the Department introduced a number of reforms to how it distributes grant funding with the intention of simplifying the funding system<sup>25</sup> and providing local authorities with flexibility to deliver local priorities.<sup>26</sup> The main changes were to reduce the number of grants to local authorities to 3:
  - the Dedicated Schools Grant, worth £29,935 million;
  - the Pupil Premium, worth £989 million; and
  - the Early Intervention Grant, worth £2,360 million.<sup>27, 28</sup>

**2.3** In April 2013 the Department replaced the Local Authority Central Spend Equivalent Grant (LACSEG) with the Education Services Grant (ESG).<sup>29</sup> LACSEG was originally paid to academies to cover the cost of services that local authorities provide centrally to maintained schools. ESG funds local authorities and academies for education services. For 2013-14, the Department planned to allocate approximately £1 billion to local authorities and academies on a per-pupil basis as a non-ring-fenced grant.<sup>30</sup>

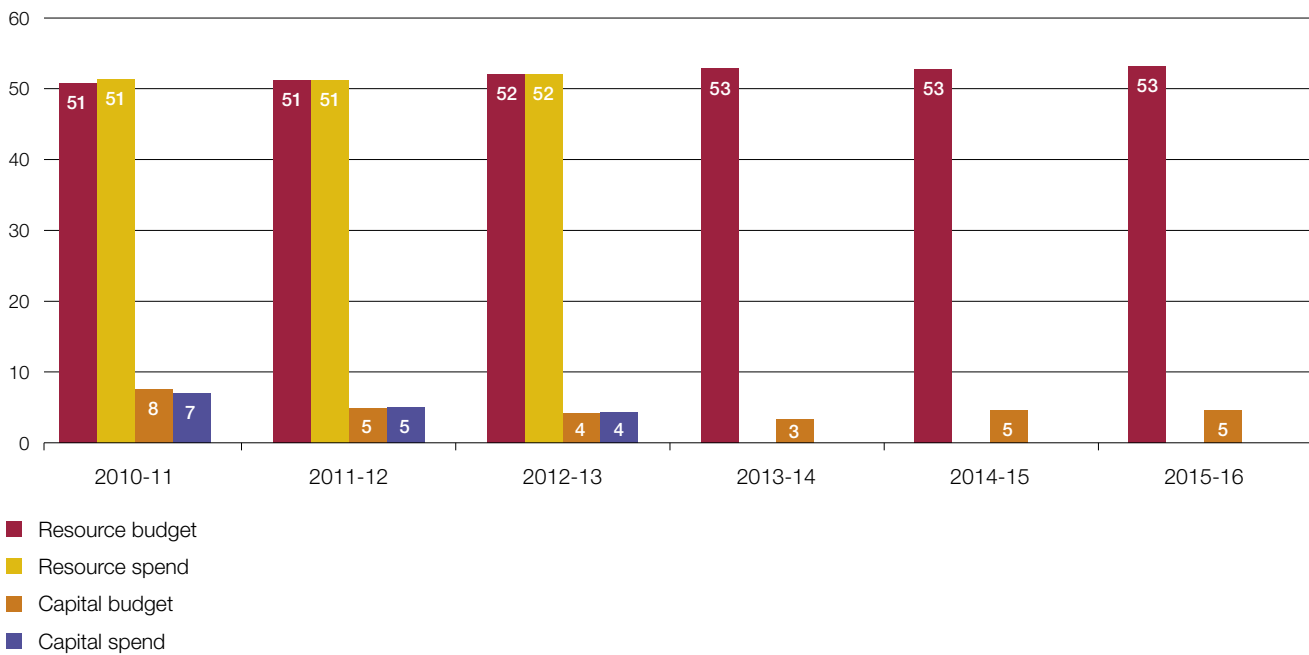
**2.4** The Department's most recently available spending figures (2012-13) show that it is operating within its resource and capital budgets. **Figure 5** illustrates the Department's spend against budgets for 2010-11 to 2012-13 and includes budgets for the period 2013-14 to 2015-16.

**Figure 5**

The Department's budgets and spend over the period 2010-11 to 2014-15

The Department's resource and capital budgets have reduced in real terms

£ billion



**Notes**

- 1 No spending data are available post 2012-13 because most recent published audited accounts relate to year 2012-13.
- 2 Resource spend excludes depreciation.
- 3 Budget data for 2011-12 to 2013-14 from 2010 Spending Review settlement.
- 4 2014-15 and 2015-16 resource and capital DEL budgets are as stated in the 2013 Spending Review settlement.
- 5 Spend data for years 2010-11 to 2013-14 are from 2012-13 consolidated Department accounts.

Sources: The Department for Education, *Consolidated Annual Report and Accounts 2012-13*, Table 1 – Total Departmental Spending – Resource; Table 2 – Total Departmental Spending – Capital. HM Treasury, *2010 Spending Review*. HM Treasury, *2013 Spending Review*

**2.5** The Department's latest spending settlement, published in June 2013, covered 2014-15 and 2015-16.<sup>31</sup> The Department's resource budget for 2015-16 was set at £53.2 billion, representing a 1% real-terms reduction on the 2014-15 settlement of £52.8 billion. Capital expenditure remained the same as for 2014-15 at £4.6 billion.

**2.6** The settlement protected the schools budget (from reception to year 11) and the Pupil Premium. It included a commitment to introduce a fair national funding formula for schools in 2015-16 to ensure that funding is provided to schools and pupils where need is greatest. Protection of the Pupil Premium, which provides extra funding for disadvantaged pupils, is intended to help schools close the attainment gap between children from higher and lower income households. The settlement also included support for the Department's programme of schools reform and funding for new academies, up to 180 new free schools, 20 new Studio Schools and 20 new University Technical Colleges a year.<sup>32</sup>

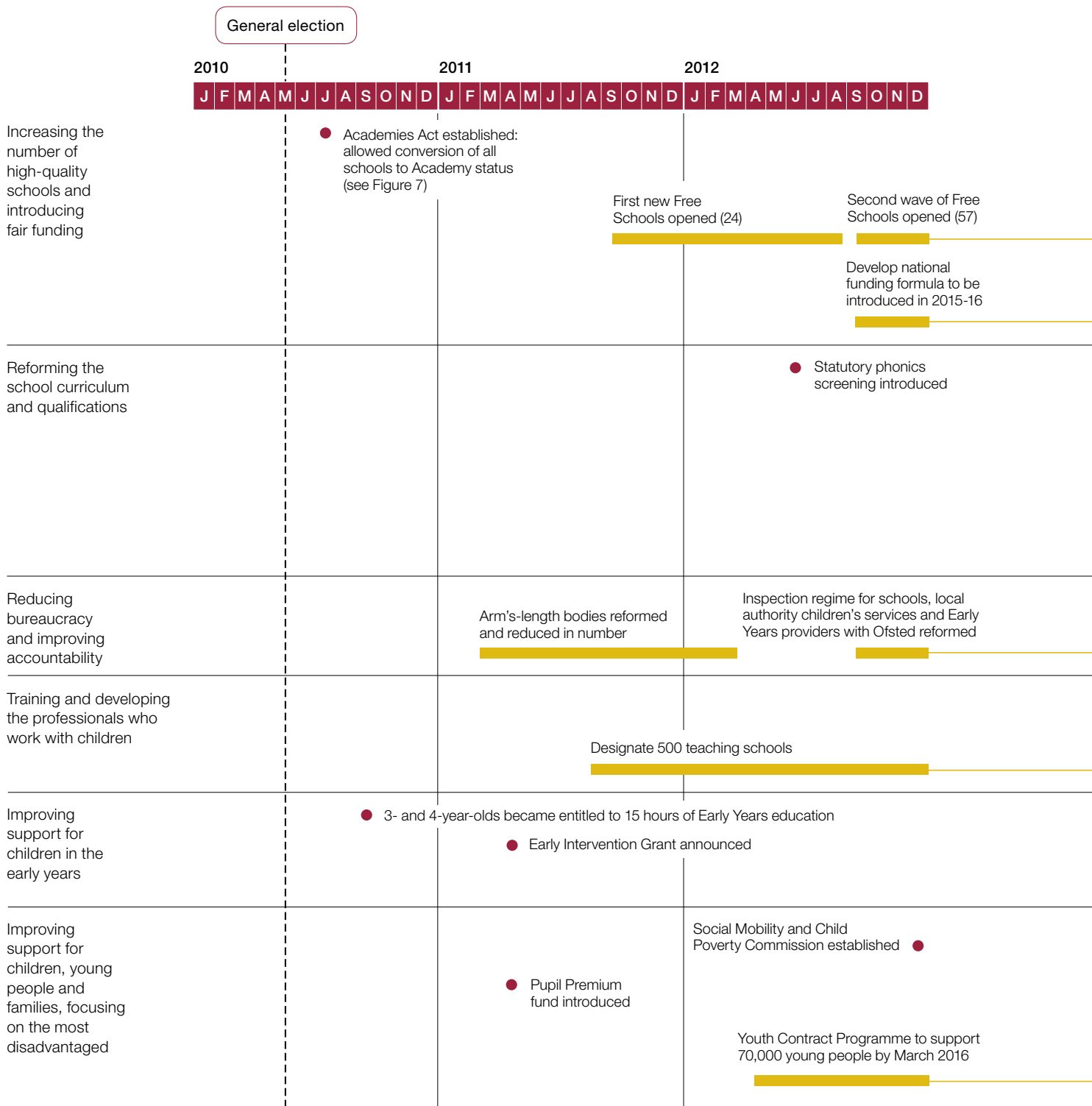
**2.7** The settlement also requires the Department to make further administrative savings of £33 million in 2015-16.<sup>33</sup> If achieved, this will represent a real-term reduction of 50% in the Department's administrative spend against its 2010-11 budget.<sup>34</sup>

**2.8** The Department is also looking to schools to secure efficiency savings. The Department published its *Review of efficiency in the schools system* in June 2013 which set out, for example, the variance in schools' spending on back-office costs. For secondary schools it ranged from £202 to £1,432 per pupil, and £144 to £1,392 per pupil in primary schools. The review included tools and information for schools to use to help them achieve value for money. It also set out how the Department might provide further assistance through, for example, developing cost and procurement benchmarking and indicators of overall school efficiency.<sup>35</sup>

## **Policy and delivery: major developments since 2010**

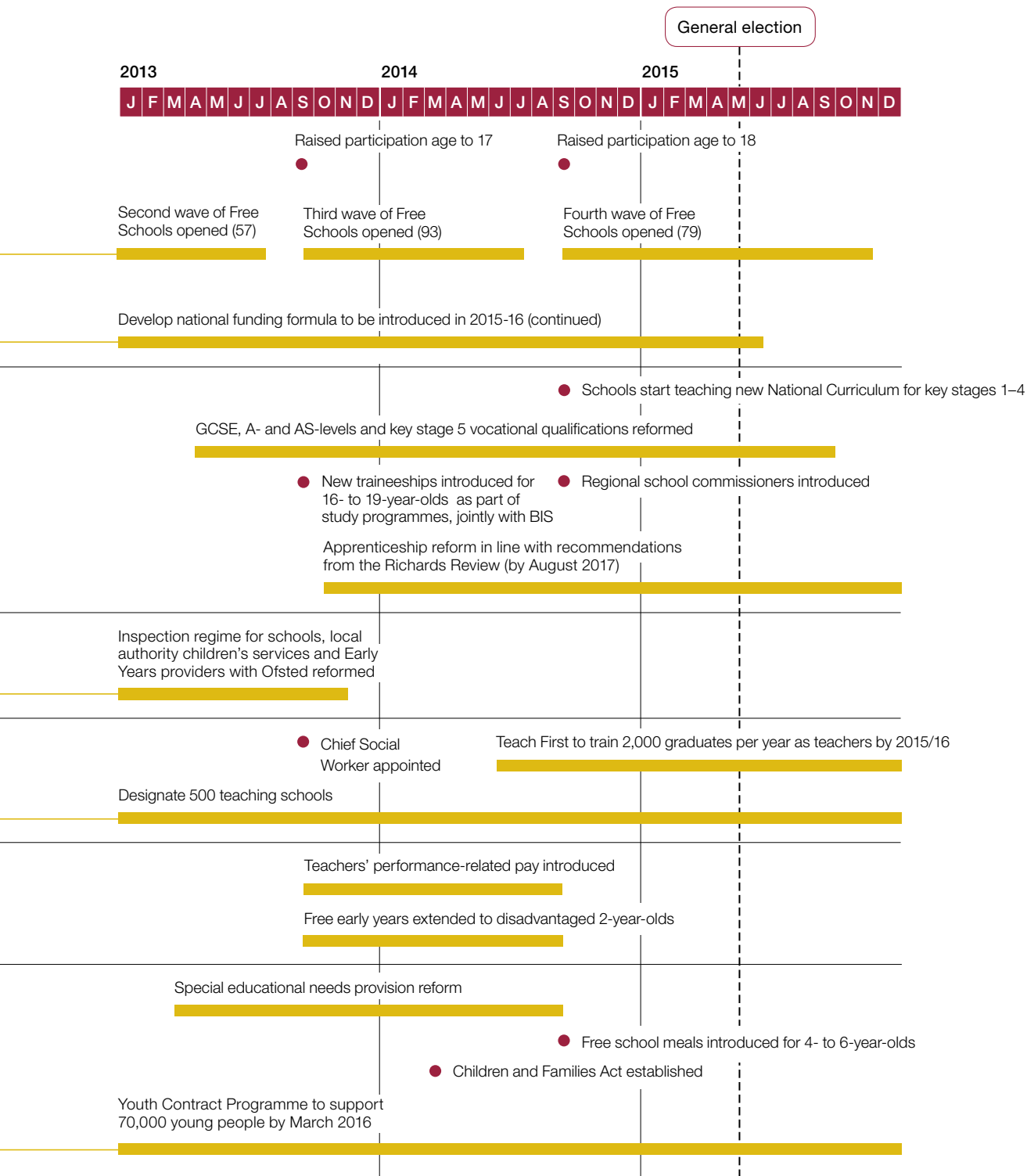
**2.9** The Department's reform priorities for this Parliament are set out at paragraph 1.2. Major developments against these priorities are shown in **Figure 6** on pages 16 and 17 and are set out in more detail below.

**Figure 6**  
Timeline of the Department’s activities to June 2015



Source: National Audit Office





## Increasing the number of high-quality schools and introducing fair funding

**2.10 Increase the number of academies and introduce new free schools.** The academies and free schools programmes are the Department's flagship policies for the schools system (see further at paragraphs 3.18 to 3.21). Academies are publicly funded independent state schools. Free schools are new academies, set up as all-ability state schools following applications from groups including parents, teachers and academy chains. Academies and free schools are directly accountable to the Department and are funded directly by the Education Funding Agency (the Agency) and are outside local authority control. Academies and free schools have greater financial freedoms than maintained schools, for example to set staff pay and conditions. Furthermore, they do not have to follow the National Curriculum and may choose to employ teachers who are subject specialists but do not have Qualified Teacher Status. Academies are subject to the same Ofsted inspection regime as other state-funded schools.

**2.11** The Academies Act 2010 permitted all primary and secondary schools to apply for conversion to academy status for the first time. The number of open academies has risen from 203 in April 2010,<sup>36</sup> to 4,167 in September 2014 (**Figure 7**).<sup>37</sup> The first 24 free schools<sup>38</sup> opened in September 2011 and, by September 2014, the number of free schools had risen to 253.<sup>39</sup>

**2.12** A key challenge for the academies and free school programmes is the Department's ability to maintain effective oversight of more than 4,000 individual schools and respond systematically to emerging problems and intervene appropriately (see further at paragraphs 3.9 to 3.11). We have examined the academies and free school programmes more generally and set out our findings at paragraphs 3.12 to 3.21.

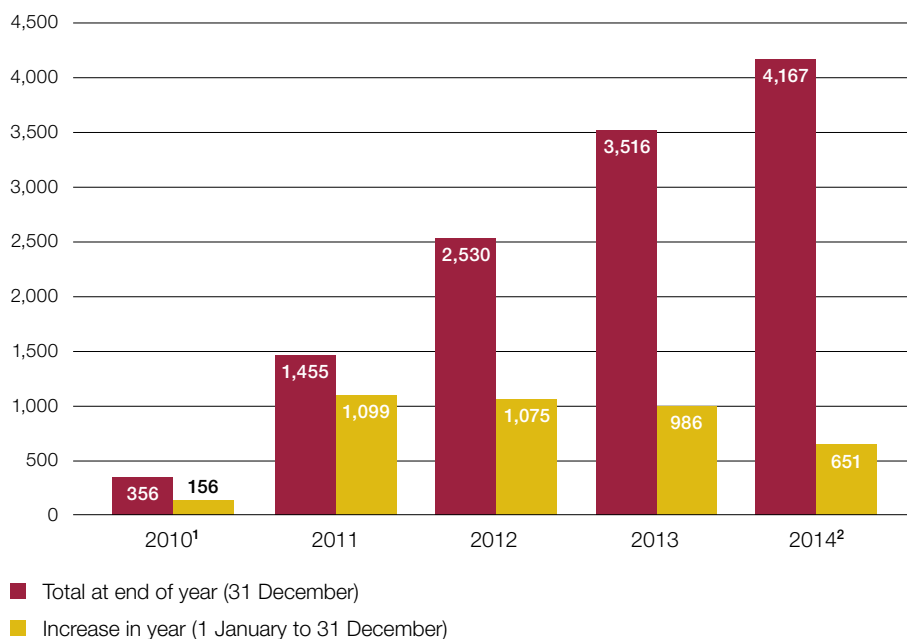
**2.13** In 2014 the Department appointed 8 regional school commissioners to provide greater oversight of academies in their area. Commissioners are responsible for monitoring academies' performance, deciding on the creation of new academies and making recommendations to ministers about free school applications. They are also responsible for approving changes to open academies and encouraging organisations to become academy sponsors.

**2.14 Introduce a new Pupil Premium for disadvantaged pupils.** The Department now allocates Pupil Premium funding to schools each year. This will total £2.5 billion in 2014-15.<sup>40</sup> The Department requires schools to publish details annually of how Pupil Premium funding is used and its impact.<sup>41</sup> Additionally, performance tables and Ofsted inspections can be used to monitor the achievement of disadvantaged pupils. In July 2014 Ofsted published an update to its 2013 thematic assessment of the Pupil Premium (see paragraphs 2.34 and 2.35).

**Figure 7**

Number of open academies since 2010

There was an almost 20-fold increase in the number of open academies between September 2010 and September 2014

**Notes**

- 1 Increase in-year for 2010 represents number of academies which opened after September 2010 (following the general election of May 2010 and royal assent of the Academies Act, July 2010).
- 2 2014 total – as at September 2014, being the latest statistics available.

Source: National Audit Office analysis of Department statistics of open academies in September 2014, available at: [www.gov.uk/government/publications/open-academies-and-academy-projects-in-development](http://www.gov.uk/government/publications/open-academies-and-academy-projects-in-development)

## Reforming the school curriculum and qualifications

**2.15** The Department introduced a new national curriculum for 5- to 16-year-olds, to be taught in all maintained schools from September 2014.<sup>42</sup> It believes the new curriculum will provide teachers with greater freedom to design their own teaching plans and greater flexibility in assessing pupils' learning. Through its reforms of GCSEs and A-levels, the Department aims to help prepare students better for employment or further academic or vocational study after education.

**2.16** A statutory phonics screening check was introduced in June 2012 for pupils at the end of year 1 (5- to 6-year-olds) to identify those that need additional early support.<sup>43</sup>

## Reducing bureaucracy and improving accountability

**2.17 Reform and reduce the number of arm's-length bodies.** The Department's arm's-length body reform programme significantly changed its delivery model. The programme aimed to make savings and to simplify central government's engagement with the wider education sector.<sup>44</sup> Of the Department's 17 arm's-length bodies, 11 were closed in 2010-11 and 2011-12. The responsibilities of the closed bodies either ceased or were transferred to the Department or one of its executive agencies. Four new executive agencies were established: the Education Funding Agency (see paragraphs 1.10 and 3.33 to 3.35), the Standards and Testing Agency, the Teaching Agency and the National College for School Leadership.

**2.18** Subsequently, on 29 March 2013, the National College for School Leadership merged with the Teaching Agency to form the National College for Teaching and Leadership. This new body's remit includes improving the quality of teaching through Initial Teacher Training and addressing underperformance throughout the education system.

**2.19** The Standards and Testing Agency was established as an executive agency from 1 October 2011. Its responsibility is to develop and deliver statutory assessment and testing for children in England.

**2.20 Work with Ofsted to reform the inspection regime for schools, local authority children's services and Early Years providers.** The Department wanted to simplify regulations for schools and colleges, looked-after children and care leavers, and Early Years to give providers greater flexibility.<sup>45</sup>

- The significant changes for Early Years providers came into effect in September 2012. These included making Ofsted the only inspector of services by stopping local authority inspections. Ofsted was also given powers to introduce a paid-for inspection policy. This permitted providers to request a re-inspection, which they would pay for should they feel they have made rapid improvement.<sup>46</sup>
- From September 2012, Ofsted introduced a new inspection regime for state-funded schools. The main changes included replacing the 'satisfactory' rating with one of 'requires improvement' to make clear the expectation that every school should be at least 'good'. Furthermore, Ofsted now only judges a school 'outstanding' if the teaching there is judged 'outstanding'.<sup>47</sup>
- In November 2013 Ofsted introduced a single, combined framework that replaced the previous approach to inspections of child protection, services for looked-after children and local authority fostering and adoption. The 'single inspection framework' looks at the effectiveness of local authority services, arrangements to help and protect looked-after children, adoption, fostering, residential care and the experiences of children who return home.<sup>48</sup>

Training and developing the professionals who work with children

**2.21 Attract the best entrants into the school workforce and then develop them through effective Initial Teacher Training and continuing professional development.**

The Department wants to raise the quality of new entrants to the teaching profession. It has ceased funding Initial Teacher Training for graduates who do not have at least a 2:2 degree. The proportion of postgraduate trainees with first-class or 2:1 degrees increased in the academic year 2013/14 to 72% from 71% in 2012/13 and 66% in 2011/12.<sup>49</sup>

**2.22** As part of its reform of Initial Teacher Training, the Department has raised the proportion of training places in schools and reduced those in higher education institutions. The National College for Teachers and Leadership allocated some 40,000 training places on courses to gain Qualified Teacher Status for the 2015/16 academic year. Of these, 40% were allocated to the school-based training route, School Direct, 50% to higher education institutions and approximately 10% to other routes.<sup>50</sup> This compares with 25% of training places allocated to School Direct, 70% to higher education institutions and 5% to other routes for the 2013/14 academic year.<sup>51</sup>

**2.23 Recruit, train and improve the capacity of social workers who work with children and families.** In the 12 months to April 2013 almost 600,000 children in England were referred to local authority children's social care services because of concerns about their welfare.<sup>52</sup> The Department revised statutory safeguarding guidance for schools and local authorities in March 2013 following Professor Eileen Munro's independent review of the child protection system.<sup>53</sup>

**2.24** The Department established a national panel of independent experts in June 2013 to provide advice to local Safeguarding Children boards about how to apply Serious Case Review criteria and the requirement to publish reports.<sup>54</sup> A chief child and family social worker was appointed in September 2013 and is in charge of advising on good social work practice and reporting on how effectively professionals help children and families.<sup>55</sup> From 12 November 2013 the Department gave all local authorities in England the freedom to delegate their functions relating to looked-after children and care leavers to independent organisations, for example charities.<sup>56</sup>

Improving support for children in the Early Years

**2.25 Retain a national network of Sure Start children's centres that offer the same services at all locations, while also ensuring that they deliver proven early intervention programmes to support families in the greatest need.** In April 2011 the government removed the ring-fence from Sure Start funding and consolidated it into the newly introduced Early Intervention Grant. The aim of the grant was to give local authorities flexibility with the funding. In the last year for which there was separate funding (2010-11), Sure Start received £1.6 billion.<sup>57</sup> In 2012-13 the Early Intervention Grant was £2.4 billion. The grant is intended to support many different services for children, young people and families – including Sure Start children's centres and free early education places for disadvantaged 2-year-olds (paragraph 2.27).<sup>58</sup>

**2.26** The Department is also working with the Department of Health to improve services to families with very young children. The Department oversees and provides support and challenge to a number of Department of Health programmes, which are delivered partly in Sure Start children's centres.<sup>59</sup>

**2.27 Ensure access to sufficient and high-quality Early Years provision.** In September 2010 all 3- and 4-year-olds became entitled to 15 hours a week of state-funded early education.<sup>60</sup> Currently, 96% of 3- and 4-year-olds receive state-funded education. From September 2013 the Department extended this entitlement to all 2-year-olds who are looked after and 2-year-olds from families that meet the criteria for free school meals – about 130,000 children in all. From September 2014 the Department further extended the entitlement so that it now applies to around 260,000 2-year-olds (paragraph 2.44).

**2.28** The Department is providing free school meals from September 2014 to all children in reception, year 1 and year 2 at infant school (4- to 6-year-olds). The government announced in December 2013 it is making £450 million available in 2014-15 and £635 million in 2015-16 to fund this commitment.<sup>61</sup> In addition, £150 million of capital funding is being made available to increase schools' kitchen capacity.<sup>62</sup> Of this, £70 million will be additional money from HM Treasury and around £80 million is from the Department's unspent schools maintenance budget.<sup>63</sup>

Improving support for children, young people and families, focusing on the most disadvantaged

**2.29 Review and reform provision for children with special educational needs, disabilities and mental health needs.** The Children and Families Act 2014 introduced, from September 2014, a number of changes to arrangements for children and young people with special educational needs and disabilities. These included the following:

- A more joined-up assessment process to determine a child or young person's needs across education, health and care.
- Education, health and care plans to replace statements of special needs and learning difficulty assessments where children have particularly complex needs.
- Education, health and care plans to consider the support a young person might need after school for those in year 9 and above. This could include supported internships and employer-based study programmes to help young people prepare for adulthood.<sup>64</sup>

**2.30 Improve the quality and cost-effectiveness of the care system.** At 31 March 2014 some 69,000 children were in care.<sup>65</sup> At the end of March 2013 6,900 children had a placement order but were waiting to move to a new family, an increase of 5% in the number waiting compared with March 2012.<sup>66</sup> We have examined the Department's responsibilities for children in care and how well it was meeting its objectives to improve the quality of care and the stability of placements for children (paragraphs 3.29 to 3.32). The Children and Families Act 2014 introduced a number of changes to the adoption process intended to reduce delay and encourage adoption, including:

- Adoptive parents to have the same pay and leave rights as birth parents from 2015.
- Court hearings relating to children in care to last no longer than 26 weeks, except in exceptional circumstances.
- 'Fostering for adoption' – placing children with approved adopters for fostering while waiting for court approval – to be encouraged.
- Increased protection for looked-after children with the introduction of new quality standards for residential children's homes.
- Local authorities to support children wanting to continue living with their foster families up to age 21.<sup>67</sup>

**2.31 Increase support for families experiencing difficulties.** This is a joint policy between the Department and the Ministry of Justice. The Ministry became responsible for the Children and Family Court Advisory and Support Service (CAFCASS) from 1 April 2014. The Children and Families Act 2014 included changes to the family justice system, for example to improve young people's understanding of what is happening when they are involved in cases. Children and young people will be given the opportunity to be more involved in the decision-making process, including communicating with judges.

**2.32** The government intends to improve and simplify the family justice system by creating a single family court for England and Wales and to ensure, where possible, that the same judge or magistrate hears a case from start to finish.<sup>68</sup> The government also aims to encourage the resolution of more disputes outside court through family mediation.

## **Independent assessments of the Department's performance**

**2.33** In Part Three of this report, we look at the National Audit Office's (NAO's) assessment of the Department's performance in 2013-14. Alongside our work and that of the Education Select Committee, a number of other bodies regularly produce independent analyses of the Department's performance and the challenges it faces. In this section, we look at some reports published in the last year.

### The Pupil Premium: an update (Ofsted)

**2.34** This report, published in July 2014, highlighted the association between the overall effectiveness of a school and the impact of the Pupil Premium.<sup>69</sup> In 2012-13 schools were allocated £989 million<sup>70</sup> for the Pupil Premium and this ring-fenced funding is budgeted to increase to £2.5 billion in 2014-15.<sup>71</sup> In a sample of 151 inspections, Ofsted found that attainment gaps for pupils eligible for free school meals were closing in all 86 schools judged 'good' or 'outstanding' for overall effectiveness. In contrast, pupils eligible for the Pupil Premium were making poor progress in 15 schools found to be 'inadequate' for overall effectiveness.

**2.35** Of the top 25 local authorities where pupils eligible for free school meals achieved the GCSE benchmark of 5 A\* to C GCSEs, including English and Mathematics, 23 were London boroughs. Ofsted recommended that the government now focuses its attention on regions that are allowing low income backgrounds to affect pupil attainment.

### Chain effects – the impact of academy chains on low income students (Sutton Trust)

**2.36** The Sutton Trust is a foundation working to improve social mobility through education. In this report, published in July 2014, it found significant variation in outcomes for disadvantaged pupils, both between and within the chains analysed; and chains differed significantly in attainment against different measures. When assessed against a range of attainment indicators, the Sutton Trust found a majority of the chains analysed still underperformed the average for maintained schools and academies on attainment for their disadvantaged pupils.<sup>72</sup> The Sutton Trust identified the main measurable attributes of the more successful chains to be:

- a chain's measured approach to expansion; and
- the importance of building up strong experience of strategies for improvement across a chain or within an academy.

**2.37** The Sutton Trust also recommended that the Department:

- give Ofsted formal powers to inspect academy chains;
- increase published data on academy chains' performance; and
- learn and share best practice from successful chains.

It also called for increased transparency of the procedures for awarding sponsorship and for chains that failed to demonstrate improvement to be blocked from expanding.



### Lessons from London schools: investigating the success (CfBT Education Trust and the Centre for London)

**2.38** This report, published in June 2014, concluded that London schools had improved significantly since 2000 and at a faster rate than any other region in the country.<sup>73</sup> CfBT Education Trust provides education services – for example, it has worked for the Department on curriculum design. The Centre for London is an independent think-tank focused on the challenges that the capital faces.

**2.39** The authors found improvement in London schools was helped, although not fundamentally, by ‘enabling’ factors relating to resourcing (for example, finance, teacher recruitment and school building quality). However, 4 school improvement interventions were identified as important: the London Challenge; Teach First; the Academies Programme; and enhanced support from local authorities. Effective leadership was also found to be an important driver of improvement. The research identified 7 areas of best practice to apply to the rest of UK. These included: ensuring that policy is supported by strong evidence of effectiveness; allowing for policy changes over time; and enabling sector-led improvement activities.

### Major developments for the year ahead

**2.40** The Department faces both change and challenges over the next 12 months. Its resource budget for 2015-16 has been set at 1% less, in real terms, than in 2014-15 (paragraph 2.5) and the Agency has forecasted that its customer base will continue to grow rapidly in number and diversity. This presents the Agency and the Department with a significant challenge to transform the way they work. In parallel, the paragraphs below set out other major developments planned for the year ahead.

#### Reforming qualifications and the curriculum to better prepare pupils for life after school

**2.41** The Department is reforming the content of GCSEs.<sup>74</sup> The Department published the new subject content for English language and literature and Mathematics in November 2013; this will be taught in schools from September 2015. Content for Biology, Chemistry, Physics, Ancient Languages and History was published in April 2014, and will be taught from September 2016. The Department plans to develop subject content for the remaining GCSEs to be taught from 2017.

**2.42** The Office of Qualifications and Examinations Regulation (Ofqual) will introduce a new numerical grading scale, from 1 to a top grade of 9, to assess the revised GCSEs that will be first taught in September 2015.<sup>75</sup> Exams will become the default method of assessment, except for subjects where they cannot provide valid assessment.<sup>76</sup> The Department also intends to reform the content and assessment of A- and AS-levels. A-Level pupils will be assessed by an exam at the end of 2 years.<sup>77</sup>

## Improving the quality and range of education and childcare from birth to 5 years

**2.43** To improve the quality of early education and childcare, the Department plans to incentivise high-quality entrants to the workforce through bursaries and by introducing Teach First in the Early Years. It is also introducing a revised framework for the Early Years foundation stage during the current academic year.

**2.44** From September 2014 the Department estimates it has extended the entitlement to early education to 40% of 2-year-olds. It plans to introduce a new tax-free scheme to provide families with up to £2,000 of funding per child per year from autumn 2015. It will also encourage more schools to offer services from 8am to 6pm and intends to introduce child-minder agencies to match child-minders to parents.

## School funding reform

**2.45** The Department is moving towards a national funding formula for schools with a much greater proportion of school funding allocated on a per-pupil basis. This process began in 2012 with changes being introduced in each subsequent academic year. For the academic year 2014/15, some of the main changes the Department introduced were as follows:

- All local authorities are to allocate a minimum of 80% of their delegated schools funding on a per-pupil basis, and set minimum rates for the basic per-pupil entitlement, which forms the main determinant of school funding.
- Local authorities will be required to apply the 'looked-after children' factor to pupils' funding for all children who have been looked after, even if only for a single day.
- Funding provided to schools with high levels of pupil mobility will be directed only at those that experience a change of pupil numbers greater than 10%. Additional support will be provided for schools rated at least 'good' by Ofsted with a short-term decline in pupil numbers where it is inefficient to make staff redundancies for a short period.
- Local authorities can apply a 'sparsity' factor to compensate schools, particularly in rural areas where pupils live a long distance from their second school, which can increase demand in the nearest school.<sup>78</sup>

**2.46** For 2015/16, the Department plans to:

- make school funding fairer, through the introduction of 7 revised pupil characteristics for local authority calculation of per-pupil funding;
- improve the evidence base that determines the distribution of funds for the 'high needs' and 'early years' blocks of the Dedicated School Grant;
- refine the funding mechanism for small schools in sparsely populated areas; and
- simplify the administration of academies funding, for example to amend the funding of local authorities for pupils in free schools.<sup>79</sup>

#### Knowledge and skills for child and family social work consultation

**2.47** Sir Martin Narey's independent review of how social workers are trained (published January 2014) called for a single, concise document to set out what a newly qualified child and family social worker needs to know and to be able to do.<sup>80</sup> The Department has sought public feedback on a draft document which sets out the knowledge and skills child and family social workers should have. It is currently preparing its response to the consultation.

#### Children's homes regulations: high expectations and aspirations consultation

**2.48** The Department has recently consulted on proposals for 3 significant changes to the regulatory framework for children's homes and is currently analysing responses. The changes relate to:

- New quality standards to set alongside child-focused outcome statements and to be supported by measurable requirements.
- A new guide to explain to homes how to meet the regulatory requirements.
- Simpler, modernised management and administrative processes, for example making more use of electronic records.<sup>81</sup>

## Part Three

### Recent NAO findings on the Department

#### **Our audit of the Department's accounts**

**3.1** The National Audit Office's (NAO's) financial audits of government departments and associated bodies are primarily conducted to allow the Comptroller and Auditor General (C&AG) to form an opinion of the truth and fairness of the accounts. In the course of these audits, the NAO learns a great deal about government bodies' financial management and sometimes this leads to further targeted pieces of work which examine particular issues. In this section, we look at the outcome of our most recent financial audit on the Department for Education (the Department) and its bodies. Updated information on the Department's accounts for the financial year 2013-14 will be available in early 2015.

**3.2** In 2012-13 the C&AG qualified both the Department's and the Education Funding Agency's (the Agency's) financial statements on the same bases,<sup>82</sup> owing to the methodology used for consolidating academies' accounts into the Department's group accounts and issues around the quality and timeliness of data (**Figure 8** on page 30).

**3.3** The C&AG reported 4 main areas of risk demonstrated by the consolidation exercise:

- **Strategic financial management** – Academies have been established with a different financial management regime to the Department. Academies have freedom to determine their spending profiles and to carry forward unspent grant, whereas the Department's spend is controlled on an annual basis within a Spending Review cycle. This results in an inherent set of risks within the parliamentary reporting process where the Department is accountable for activity over which it has no direct control.

Academies have accumulated reserves: cash balances stood at £1.9 billion at 31 March 2013. Academies determine their priorities based on local needs and, under the financial management regime the Department has established, it has no influence over the use or size of those reserves and did not have the requisite data to enable it to make strategic financial management decisions affecting the sector.

- **Financial reporting** – The Department did not know until December, almost 9 months after the year end, whether or not it had remained within its control totals. The timeliness and quality of academy returns are therefore crucial to oversight and reporting. Under this regime, the Department will always be at risk of an unpredicted overspend if, for example, academies spend their reserves more quickly than forecast.
- **Resource planning** – The late delivery of accounts will affect the Department's ability to finalise its resource needs and, if necessary, seek additional, appropriate supply cover within the supplementary estimates. Accurate forecasting by academies and notification of significant change to priorities and timings are essential to this process.
- **Oversight of the sector's financial sustainability** – The Department's ability to oversee financial sustainability within the sector could also be compromised by the quality of data and remains dependent on accuracy and timeliness of submissions from the academies.

### Special payments

**3.4** The 2012-13 audit did not identify any evidence of widespread or material levels of irregular spend. The Agency did identify a total of 37 non-contractual severance payments requiring approval. The total value of the payments requiring approval was just over £640,000. Under agreement with HM Treasury, the Agency conducted the initial assessment and a sample of 8 cases was presented to HM Treasury. Two cases were rejected totalling £99,550 relating to extra-contractual severance payments and were therefore irregular.

### **Our audits of the Department's effectiveness and value for money**

**3.5** The NAO's work to test the effectiveness and value for money of government spending in 2013-14 included a number of projects which focused on the Department. The main findings of these, and in some cases the actions that have been taken since, are summarised below. Where we have reproduced figures from our reports, these were correct at the time of publication and we have not adjusted them for later performance or inflation.

**3.6** Overall, our reports in this period found the Department had made progress in implementing policy priorities and had increased value for money in some areas. For example, we found that the Department had made clear progress with the free schools programme, a policy priority. We also found that the overall value for money of its £7 billion spending on 16- to 18-year-olds, learning had increased. The Agency had fulfilled most of its day-to-day funding and assurance responsibilities; developed new approaches to capital programmes; and was on track to meet its required cost savings.

**Figure 8**

## Qualifications of audit opinion 2012-13

	<b>Explanation for Qualified Audit Opinion</b>
<b>Regularity of expenditure</b>	The Department, through the Agency, provides funding to academy trusts for their activities. The system of assurance did not operate effectively over academies compliance with all aspects of managing public money. Accordingly, the C&AG was unable to confirm that, in all material aspects, grants to academies conformed to the authorities which govern them and were applied for the purposes intended by Parliament.
<b>Qualification on group financial statements</b>	<p>In 2012-13 the Department was required, for the first time, to consolidate academies into its group financial statements. Its annual report explains in further detail how the need for consolidation arose, and the 4 specific challenges it faced:</p> <ol style="list-style-type: none"> <li><b>1 Academies produced accounts to 31 August each year, whereas the Department's year end is 31 March.</b> The Department did not believe that producing new accounts for each academy as at the end of March would produce a materially different position to using existing statutory accounts as at the end of August, and would provide an unnecessary administrative burden on the sector. The Department hypothesised that data for the year ending 31 August were a fair approximation for the equivalent to 31 March due to the limited financial complexity of individual trusts.</li> <li><b>2 The education sector grew rapidly, with an increase of 1,159 academies during 2012-13 and therefore underlying accounts were not available.</b> Consequently, this required the collection and validation of additional data.</li> <li><b>3 Academies are charitable companies and hence accounted for under a different accounting framework to the Departmental group.</b></li> <li><b>4 Collection of the extent of data required was significant and some data were not subject to audit.</b> This was within the context of a growing sector where historic trend data did not exist.</li> </ol> <p>The C&amp;AG concluded that there was a material level of error and uncertainty in the Departmental accounts and therefore qualified the group financial statements.</p>
<b>Qualification on the recognition of land and buildings</b>	<p>Academies are charitable companies, meaning they have to prepare their financial statements in accordance with the charities' accounting framework. One area of difference between this financial reporting framework and that of the Departmental group's relates to the recognition of land and building assets.</p> <p>The Department had a clear idea of the land and buildings used by academies, but it did not have a clear picture of who owned the land and buildings. As a result, the Department could not demonstrate which land and buildings used by academies should be included on its balance sheet.<sup>1</sup> The Department estimated that it would cost £30 million to collate data on land and buildings and a further £8 million a year to keep the data up to date and it was not convinced that this would represent value for money.<sup>2</sup></p> <p>The Department assumed that all land and buildings used by academies should be capitalised within the group balance sheet. This may not have complied with HM Treasury's Reporting Manual in all cases, for example where buildings were occupied on a short-term lease.</p> <p>The C&amp;AG could not therefore determine the extent of land and buildings assets that were erroneously capitalised in the balance sheet due to the limitation of scope. The C&amp;AG is concerned this issue will remain for a number of years.</p>
<b>Qualification on opening balances</b>	All academies in existence on 1 April 2012 were incorporated into the financial statements from that date. The C&AG qualified his opinion in respect of opening balances as the Department was unable to reconcile the 2012-13 opening balances to the data reported to HM Treasury as part of the 2011-12 Whole of Government Accounts.

**Notes**

- 1 HC Committee of Public Accounts, *Education Funding Agency and Department for Education financial statements*, Sixty-first Report of Session 2013-14, HC 1063, June 2014.
- 2 Public Accounts Committee, *Oral evidence: Education Funding Agency and the Department for Education Accounts*, Session 2013-14, HC 1063, March 2014, pp. 141-145.

Source: Department for Education, *Consolidated Annual Report and Accounts 2012-13, The Report of the Comptroller and Auditor General to the House of Commons*, January 2014

### 3.7 The main challenges we identified were as follows:

- The Department and the Agency sometimes need better information to support decision-making and to demonstrate the impact of projects and policies. This is increasingly important in the context of constrained finances. For example, accurate and timely information – drawn from a large number of educational bodies – is critical to the Agency's business but it did not develop an information strategy, and report that it was in place, until September 2014. For its responsibilities for children in care, the Department could not demonstrate that it was meeting its objectives through the £2.5 billion spent by local authorities. For its reforms of 16- to 18-year-olds' participation in education and training, the Department could not say which actions had had the most impact or added the most value. Were its resources to reduce further, it would therefore lack key information to decide which initiatives to keep or stop.
- The Department (with the Agency) is responsible for the effective oversight of a set of bodies that is growing rapidly in number and diversity. For example, the Agency projected that the number of education providers would increase by around 50% between 2012-13 and 2015-16. The Agency has introduced a more structured approach to its oversight and intervention of academies and free schools, and implemented a new framework in September 2013. The challenge is to have the right information for routine monitoring so as to reduce reliance on whistle-blowers.

### 3.8 Our reports have covered 4 areas of the Department's remit and operations:

- schools;
- post-16 education and training;
- children's services; and
- performance and capability.

## Schools

### **Academies and maintained schools: Oversight and intervention (October 2014)**

3.9 Our report *Academies and maintained schools: Oversight and intervention* evaluated the oversight and intervention system for schools, in terms of how cost-effective it is and how it supports the Department's overall objectives for the school system.<sup>83</sup> The Department works with a range of bodies to oversee a diverse school system. In its approach, the Department seeks to balance the need for comprehensive oversight with its aim to increase schools' autonomy.

**3.10** We concluded that, in many ways, the Department's oversight system was still in development and that this had resulted in, at times, inconsistent action from both the Department and others. The Department had set the tone from the top, with a clear focus on raising educational performance and the majority of schools that Ofsted had rated 'inadequate' had improved by the time of their next inspection. The Department had reduced the funding it allocated to oversight and intervention, including the average grant it paid to sponsors to take on underperforming schools, and external oversight bodies had intervened more often in underperforming schools than in the past. However, we could not conclude that the oversight system was delivering value for money at the time of publication. This was because the Department and other oversight bodies continued to have limited information about some important aspects of school performance and had not demonstrated the effectiveness of their interventions, despite investing at least £382 million annually. The Department agreed the factual accuracy of the report, but did not accept that all the report's analysis, conclusions and recommendations were supported by those facts.

**3.11** We recommended that the Department should undertake more work to understand the relative costs and effectiveness of different oversight and intervention activities. Furthermore, we said that the Department should improve its understanding of the quality of school governance and update its framework for oversight and intervention.

### **Establishing Free Schools (December 2013)**

**3.12** Our report *Establishing Free Schools* assessed whether the Department had achieved value for money in establishing free schools.<sup>84</sup> The report addressed the Department's approach to selecting free schools, the Programme's costs and early indications of the performance and oversight of the schools.

**3.13** We concluded that by opening 174 free schools between September 2010 and December 2013, and with more schools in the pipeline, the Department had made clear progress in delivering a policy priority. Many new schools had been established quickly and at relatively low cost, and the Department's assessment of applications had improved. The Programme's success and value for money depend on how free schools perform in the future.

**3.14** We found that some important information relating to sites, parental demand and key staff remained limited during the selection process. Most primary free schools were located in areas that needed extra school places, but the Department had received no applications to open primary free schools in half of all districts with a high or severe shortage of places.

**3.15** Agency investigations highlighted financial management concerns at 2 free schools: Al-Madinah and Kings Science Academy. We found that the Department and the Agency's approach to assessing risk and monitoring financial management and governance in free schools had evolved. However, we said that it would need to develop further in order to manage emerging risks as the programme expanded. Monitoring was informed by other parties including whistle-blowers and relied on timely compliance by schools.



**3.16** The Department introduced a new framework in September 2013 to support the professional judgement of Agency staff. As the programme grows, more systematic data analysis will be needed to identify and manage emerging risks. We found that the Department would need to exert more control to contain a rising cost trend (**Figure 9**). Its ability to give full consideration to costs when selecting free schools had been limited by uncertainty over sites. Total capital costs per school place had risen on average by 35% between the first and third waves of free schools. This was mainly due to the location of more secondary schools in regions where property costs were high, and the inclusion of Special and Alternative Provision Schools with higher costs per place.

**3.17** The Committee of Public Accounts recommended the Department should be more open about the reasons for progressing a free school application and should reflect on lessons learned from the demand for places at free schools already opened. It also recommended that the Department encourage applications from areas with a high forecast for additional school places. The government believed that the free school process was already sufficiently transparent to allow proper public scrutiny, but agreed to reflect on the experience of open free schools. The government also said that it had encouraged applications from areas which need new school places but that, as a demand-led programme, it did not want to set specific area targets.<sup>85</sup>

### Figure 9

The Department's expenditure on free schools

	2010-11 (£m)	2011-12 (£m)	2012-13 (Unaudited) (£m)	2013-14 (Forecast) (£m)	Total (£m)	2014-15 <sup>2</sup> (Forecast) (£m)	Total (£m)
Capital spending on premises	1	49	196	497	743 <sup>3</sup>	770	1,513
Pre-opening support	1	9	31	27	68		
Revenue funding of open Free Schools	0	13	46	108	167		
Post-opening support	0	2	12	21	35		
Programme's management costs	4	16	34	12 <sup>4</sup>	66		
<b>Total expenditure</b>	<b>6</b>	<b>89</b>	<b>319</b>	<b>665</b>	<b>1,079</b>		

#### Notes

- 1 Figures are as at September 2013.
- 2 Non-capital costs are not yet determined.
- 3 The forecast figure to March 2014, as agreed with HM Treasury during Spending Review 2013.
- 4 From 2013-14, contractor costs were capitalised and included in capital spending.

Source: National Audit Office analysis of Department for Education data

### **Managing the expansion of the Academies Programme (November 2012)**

**3.18** Our report *Managing the expansion of the Academies Programme* evaluated the Department's implementation of the Academies Programme since May 2010 and the adequacy of its funding and oversight framework across the academies sector.<sup>86</sup>

**3.19** We found that the Department had delivered a fundamental change in the nature of the Academies Programme, through a rapid (10-fold) increase in the number of academies since May 2010 (**Figure 10**). The Department was unprepared for the financial implications of rapid expansion. Funding arrangements to address differences between funding paid to academies and funding recovered from local authorities did not operate as anticipated and contributed to more than one-third of the £1.0 billion additional cost of the programme since April 2010. Rapid cost growth led to ongoing pressures on the Department's wider financial position, requiring it to transfer funding from other budgets to manage the resultant risks.

**3.20** We concluded that, in seeking to resolve the tension between academies' autonomy and public accountability through a light-touch oversight regime, the Department needed to weigh carefully the impact that relatively few failures in governance and control could have on the programme's reputation. We said that it needed to build on its increased efforts to address accountability and funding issues in order to reduce risks to value for money.

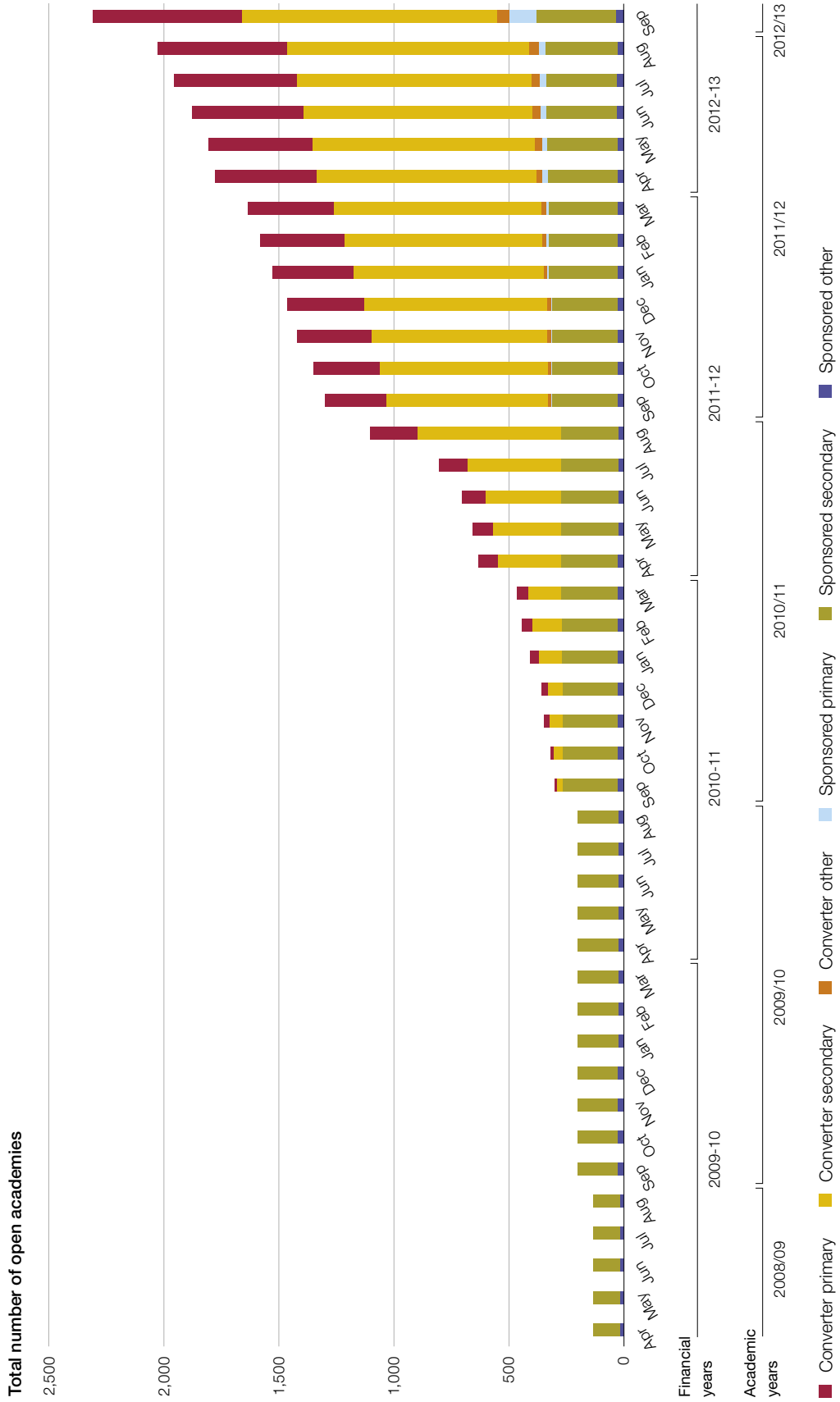
**3.21** In response to the Committee of Public Accounts' recommendation that it should set out what outcomes it aimed to achieve from expanding the programme, and how and when it would demonstrate whether progress was on track and value for money had been achieved, the Department committed to publish further details of its value for money framework by September 2013.<sup>87</sup> It published its framework for assessing the value for money of academies and free schools in November 2013. The Agency intended to enhance transparency by setting out in the Accounts Direction additional information for academies to report in their annual accounts.

### **Capital funding for new school places (March 2013)**

**3.22** Our report *Capital funding for new school places* assessed whether the Department was securing overall value for money from its capital funding, including how far the Department's objectives were being achieved, how well it had determined its financial contribution to local authorities, and how well it had allocated funding to areas with the greatest need.<sup>88</sup>

**Figure 10**  
 Number of open academies by type and phase, April 2010 to September 2012

By September 2012 there were 2,309 open academies, 48% of which were secondary converters



**Note**

1 'Other' comprises special and 'all-through' academies. All-through academies provide primary and secondary education, with no application process between the two.

Source: National Audit Office analysis of Department for Education data

**3.23** We found that there was a net increase of almost 81,500 primary places by May 2012 and that the Department had increased funding for 2014-15 to more than £4.3 billion. However, a further 256,000 new school places were still required by 2014/15 and, despite a national surplus, there were indications of real strain on school places in some areas (**Figure 11**).

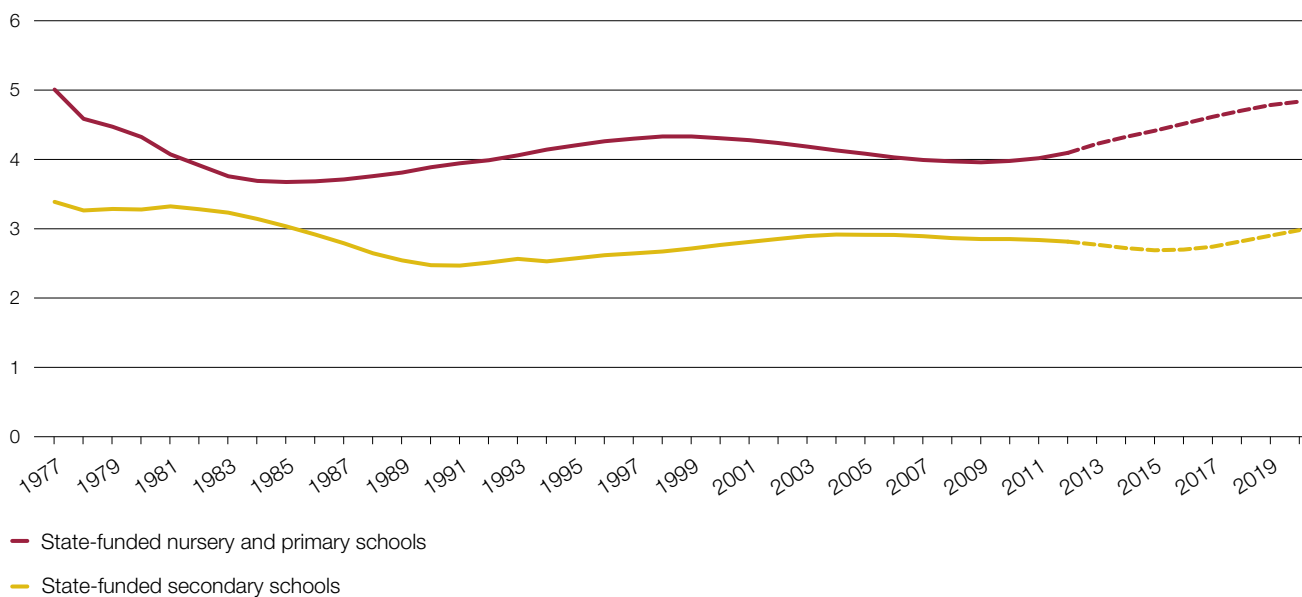
**3.24** We recommended that the Department build on incremental improvements it had already made to the information used to make funding allocations. We said that it needed a better understanding of costs, clarity about how it would allocate funding to areas of need, and a better understanding of the impact its funding contribution was having on the ground.

**Figure 11**

The pupil population in England

Primary pupil numbers are predicted to rise to levels last seen in 1970s

Total pupil numbers (millions)



Total pupil numbers (millions)

Selected years	1977	1980	1985	1990	1995	2000	2005	2010	2015 (forecast)	2020 (forecast)
State-funded nursery and primary schools	5.01	4.32	3.67	3.89	4.20	4.31	4.08	3.98	4.43	4.85
State-funded secondary schools	3.39	3.28	3.04	2.47	2.57	2.77	2.91	2.85	2.69	2.98

**Note**

1 Full-time equivalent (FTE) numbers count part-time pupils as 0.5.

Source: Department for Education, *National Pupil Projections: Future trends in pupil numbers, July 2012 Update*, July 2012

**3.25** The government committed to continue collecting information about local authorities to assess local demand. It also said that the Agency would work to improve its understanding of the costs local authorities incur to provide new school places, and how these compared with expected costs set out in the national Contractors' Framework. Furthermore, the Department stated that it expected local authorities to match the framework costs in order to deliver value for money.<sup>89</sup>

## Post-16 education and training

### **16- to 18-year-olds' participation in education and training (September 2014)**

**3.26** Our report *16- to 18-year-old participation in education and training* looked at the Department's progress, with other stakeholders, in reforming 16- to 18-year-olds' education and training.<sup>90</sup> The Department has changed the law and introduced reforms with the aim of raising levels of 16- to 18-year-olds' participation, and improving the quality and relevance of available courses and training.

**3.27** We found that the overall value for money achieved by the Department for its £7 billion spend on 16- to 18-year-olds' learning had increased. The proportion of 16- to 18-year-olds participating in education and training increased at the end of 2013 to 81.2%, compared with 79.2% at the end of 2012 (**Figure 12** on pages 38 and 39). The proportion of young people who were not in education, employment or training (NEET) fell to 7.6% at the end of 2013 compared with 9.2% at the end of 2012. This was the lowest proportion of young people who were NEET since comparable records began in 1994.

**3.28** We found that while these results were encouraging, the Department needed better information about the relative effectiveness of its reforms in order to tell which had contributed most to increased participation, which had raised quality and which had improved other aspects of value for money. We recommended that the Department commission a detailed analysis of the relevant contribution that its different reforms were making, as well as systematically examining what local authorities do.

## Children's services

### **Children in care (November 2014)**

**3.29** Our report *Children in care* is the first of a series of reports on children's services. It examined the Department's responsibilities for children in care and how well it was meeting its objectives to improve the quality of care and the stability of placements for children.<sup>91</sup>

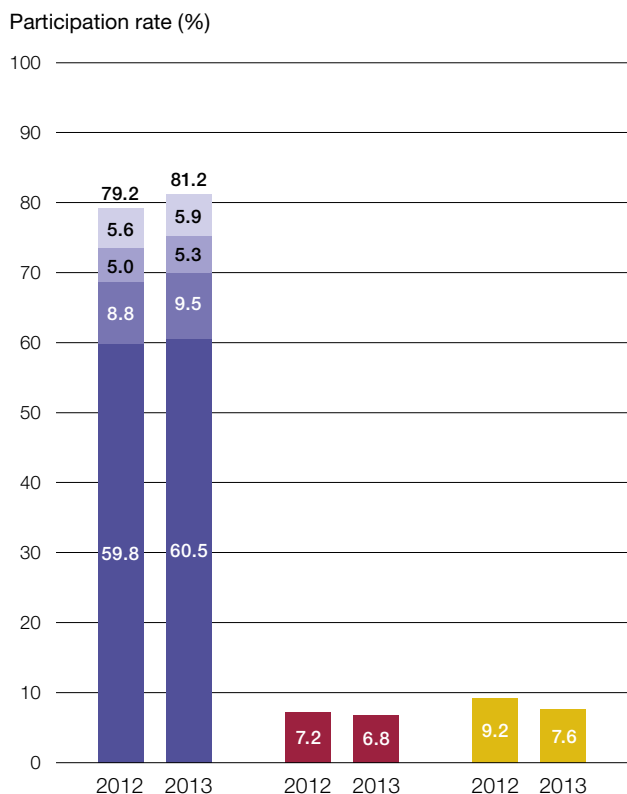
**3.30** We concluded the Department could not demonstrate that it was meeting its objectives through the £2.5 billion spent by local authorities. It had no indicators to measure the efficacy of the care system and it lacked an understanding of what drives the costs of care. We recognised that the Department is not the only actor in regard to the outcomes for children in care, but it is clearly responsible for key components in setting and driving aspiration, expectation and performance and we could not conclude that the outcome of the Department's oversight is efficient or effective enough to constitute value for money.

**Figure 12**

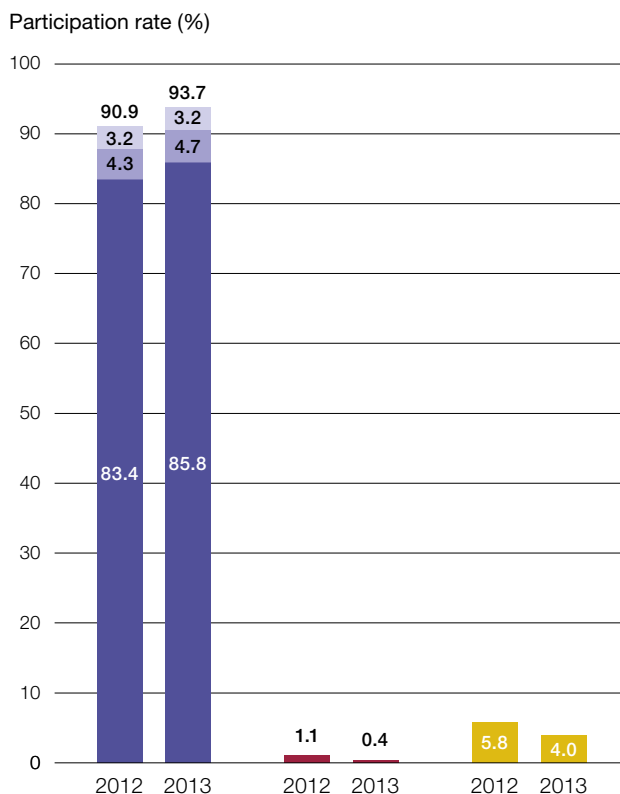
Proportion of 16- to 18-year-olds in education, employment or training, 2012 to 2013

More 16- to 18-year-olds are in education, employment or training, but there is variation across the age group

**All 16- to 18-year-olds**



**16-year-olds**



- Full-time education
- Higher education institutions
- Part-time education
- Apprenticeships
- Total in employment without training
- Total not in education, employment or training

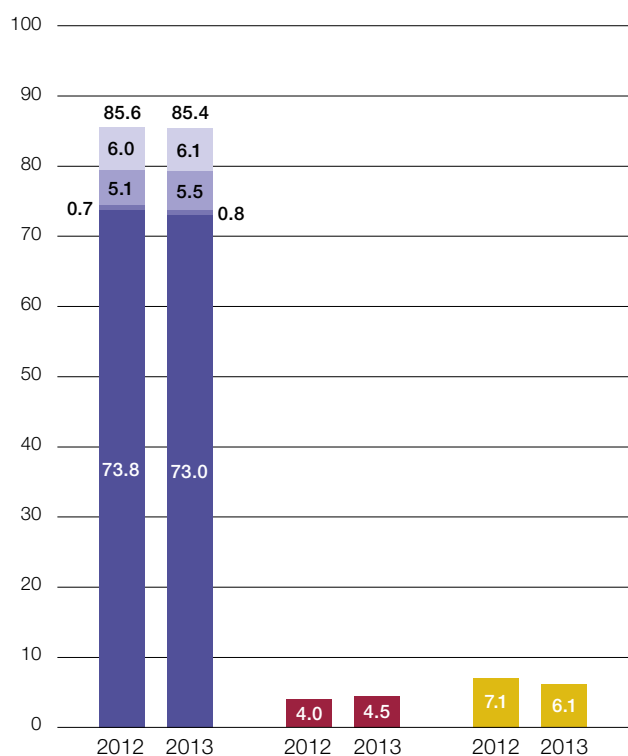
**Figure 12 continued**

Proportion of 16- to 18-year-olds in education, employment or training, 2012 to 2013

More 16- to 18-year-olds are in education, employment or training, but there is variation across the age group

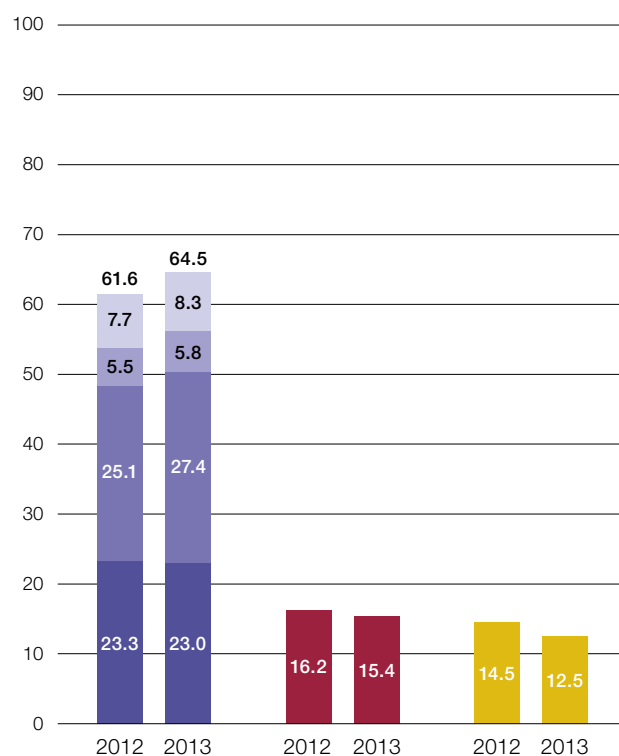
**17-year-olds**

Participation rate (%)



**18-year-olds**

Participation rate (%)



- Full-time education
- Higher education institutions
- Part-time education
- Apprenticeships
- Total in employment without training
- Total not in education, employment or training

**Note**

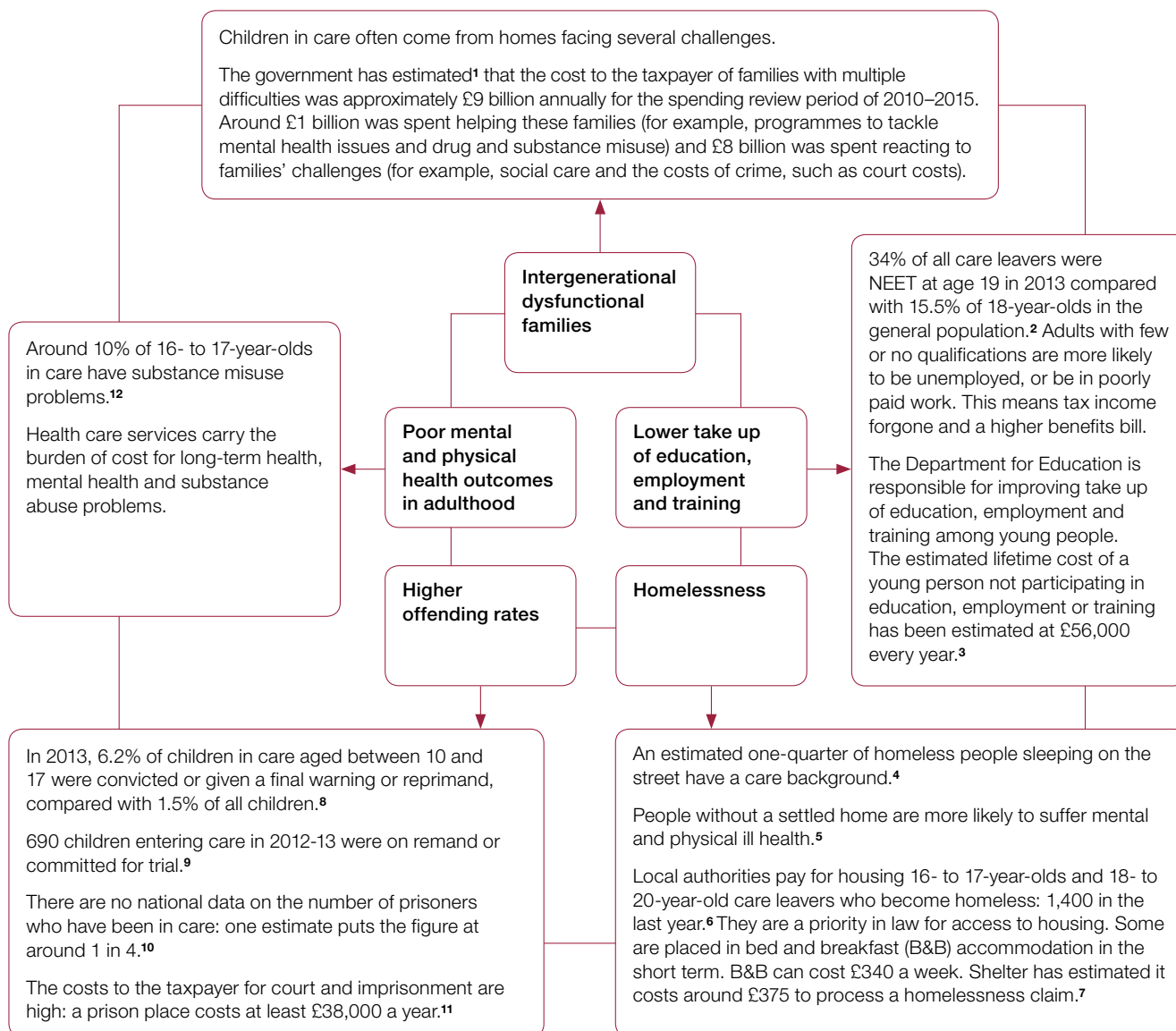
1 Figures shown do not sum to 100% because they exclude 16- to 18-year-olds in training that is not government-funded.

Source: Department for Education, Statistical first release, June 2014

**3.31** We found the numbers of children getting the right placements first time had not improved since 2009. Over the past 5 years, where data are available, improvements in outcomes had been, at best, mixed. The learning and development needs of the most vulnerable children, if not successfully tackled, can result in significant and avoidable detriment to themselves, and increased costs and risks to local authorities and the taxpayer in the long-term (**Figure 13**). The Department agreed the accuracy of the data used in this report, but it did not accept that the report’s key conclusions and recommendations were supported by the evidence.

**Figure 13**  
Long-term costs to the individual and taxpayer

**There are significant long-term costs to the public if children in care do not achieve good outcomes**





**Figure 13** *continued*

## Long-term costs to the individual and taxpayer

**Notes**

- 1 Comptroller and Auditor General, *Programmes to help families facing multiple challenges*, Session 2013-14, HC 878, National Audit Office, December 2013.
- 2 No direct comparison available. *HM Government Care Leaver Strategy*, October 2013.
- 3 B Coles, C Godfrey, A Keung, S Parrott and J Bradshaw, *Estimating the life-time cost of NEET*, July 2010.
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- 7 Shelter, *Research briefing – Immediate costs to government of loss of home*, January 2012.
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- 10 The Centre for Social Justice, *Green Paper on Criminal Justice and Addiction*, July 2010.
- 11 Prison Reform Trust, *Prison: the facts*, Bromley Briefings, Summer 2013.
- 12 Department for Education, *Statistical First Release*, 50/2013.

Source: National Audit Office and as noted

**3.32** We recommended that the Department should use its new Innovation Programme to understand what works, especially on early intervention, if it is to improve the quality of care and reduce short- and long-term cost.

## Performance and capability

**Performance and capability of the Education Funding Agency (January 2014)**

**3.33** Our report *Performance and capability of the Education Funding Agency* examined the Agency's role, performance and future capability.<sup>92</sup> We concluded the Department had a clear rationale for creating the Agency but had not sufficiently defined what it expected the Agency to achieve, or considered the Agency's capacity when increasing its responsibilities. We found that the Agency had fulfilled most of its day-to-day funding and assurance responsibilities, developed new approaches to capital programmes, and was on track to meet its required cost savings. However, it also faced an expanding remit, a rapidly growing customer base (**Figure 14** overleaf) and further required reductions in operating costs. Effective financial oversight of a growing sector means that as part of the Agency's assurance framework, it will need to rely on academies' awareness of their obligations and their skills and capacity to meet these obligations. This presents challenges because as well as growing in number, the Agency's new customers are likely to have more diverse needs.

**Figure 14**

The type and number of providers in 2012-13 and the Agency's projections for 2013-14 to 2015-16 based on past trends

**The Agency estimated that the number of providers will increase by almost 50% between 2012-13 and 2015-16**

	2012-13	Projections based on past trends		
		2013-14	2014-15	2015-16
Academies	2,826	c.4,000	c.5,200	c.6,500
Voluntary-aided schools	4,055	3,892	c.3,800	c.3,700
Commercial and charitable providers	431	550	c.620	c.620
General further education, and specialist colleges	239	239	239	239
Local authorities	152	152	152	152
Sixth form colleges	93	93	93	93
Other	109	209	c.350	c.350
<b>Total</b>	<b>7,905</b>	<b>c.9,100</b>	<b>c.10,400</b>	<b>c.11,600</b>

**Notes**

- 1 'Other' includes: other 16–19 learner support; higher education institutions; forensic units/other specialist providers; city technology colleges; non-maintained schools, and non-maintained special schools; and independent schools. Increases in the 'other' category in 2013-14 to 2015-16 reflect projections of non-maintained schools and special schools, and independent schools.
- 2 The Agency's projections for future numbers of providers are based on past trends; approximate figures are labelled circa 'c.'.

Source: Education Funding Agency data

**3.34** We found that in order to reduce costs and manage growing demand, the Agency needed to transform its operations, but that it had yet to implement a fully integrated future operating model. Information would be critical to the Agency's ability to generate good management information and improve customer service, we concluded. Although it did not have an approved information strategy at the time the NAO or the Committee of Public Accounts published their reports, the Department reported to the Committee in September 2014 that one was now in place. We found the Agency had initially made slow progress on improving its IT. However, its implementation of a 3-year IT investment plan to update its systems and move towards self-service for customers was accelerating.

**3.35** We recommended that the Agency implement a scalable operating model for the period from 2015-16 and beyond: to help set a roadmap for change; to publish and embed its information strategy; and to strengthen its approach to risk management. In its report, the Committee of Public Accounts recommended that the Department (and Agency) implement an effective joined-up strategy to enforce compliance with funding agreements and consider appropriate incentives and sanctions. Furthermore, the Committee said it should set out how and when it would develop an analytical capability to spot risks and target early interventions.

### **Data Assurance Summary Report (August 2013)**

**3.36** Our report *Data Assurance Summary Report: Department for Education* was our second review of the Department's data systems for measuring performance against indicators in its Business Plan 2012–2015.<sup>93</sup>

**3.37** We found that the Department's staff had in general a good understanding of the need to manage data, for robust governance and for secure storage arrangements. However, we found that the Department's information culture had weaknesses because the Department did not have a formal, organisation-wide information strategy. Not only is such a strategy a Cabinet Office requirement, but the absence of it increases the risk that information is mismanaged, or that the Department could fail to realise potential uses of available information. We recommended that a formal information strategy be implemented.

**3.38** The Department also had not formally linked the coalition government's priorities, as set out in its business plan, with input and impact indicators to enable performance to be assessed. We recommended a formal link be made to enhance transparency and accountability.

**3.39** We found that operational performance information reported to management covered all major aspects of the Department's work. Since our previous report, the Department had reformed the way it reported information to the Board. Previously, reports were given on each of the Department's objectives. Under the current system, particular priorities in a given month were reported on in greater detail, with the remainder reported in summary. This risk-based approach made it easier for the Department to focus on key issues.

### **The Department in a cross-government context**

**3.40** In addition to our work on individual departments, the NAO increasingly looks at performance across government, in order to understand how different departments address important issues. Of the cross-government reports we have published in the last year, 3 have included substantial coverage of the Department.

#### Financial sustainability of local authorities 2014 (November 2014)

**3.41** Our report *Financial sustainability of local authorities 2014* concluded that the Department for Communities and Local Government (DCLG) should be better informed in discharging its role in funding local authorities and about the various funding decisions and initiatives taken by departments.<sup>94</sup> DCLG's position is that it prioritises its focus on service delivery primarily based on the largest areas of local authority spend (adult social care, children's services, and waste).

**3.42** The report found that local authorities have tried to protect adult and children's services, often at the expense of other service areas. Nonetheless, there was emerging evidence that funding reductions have led to a fall in service volumes. Despite increased demand, provision of residential care for children fell between 2010-11 and 2012-13 by 4.8%, compared with an increase of 12.7% in the previous 2 years. Nights of foster care provision for children had increased by 6.6% since 2010-11, but at a lower rate than the previous 2 years (10.8%). The report noted that a reduction in the volume of activity did not necessarily imply a worsening in the quality of provision or outcomes for service users.

**3.43** The report's analysis highlighted variations between local authorities where authorities with big reductions in spending power were less able to protect spending on core services. For example, budgeted spending on children's social care fell by 4.3% on average in authorities with high cuts, compared with a real-terms increase of 14.8% in authorities with low cuts (**Figure 15**).

**3.44** Local auditors have expressed their concern about the future financial sustainability of some authorities and their capacity to make further savings. Auditors have reported that 16% of authorities responsible for social care and education were not well placed to deliver their 2014-15 budgets.

**3.45** We recommended DCLG look for evidence of financial stress in local authorities' ability to deliver the services they are responsible for and to develop, where possible, more robust methods for assessing the extent to which proposed funding will be sufficient to deliver services. Analysis in previous spending reviews by other departments was identified as often limited. For example, the Department (for Education's) submission did not cover specifically the statutory duty for local authorities to secure young people's access to sufficient leisure-time recreational activities alongside their educational ones.

#### Government grant services (July 2014)

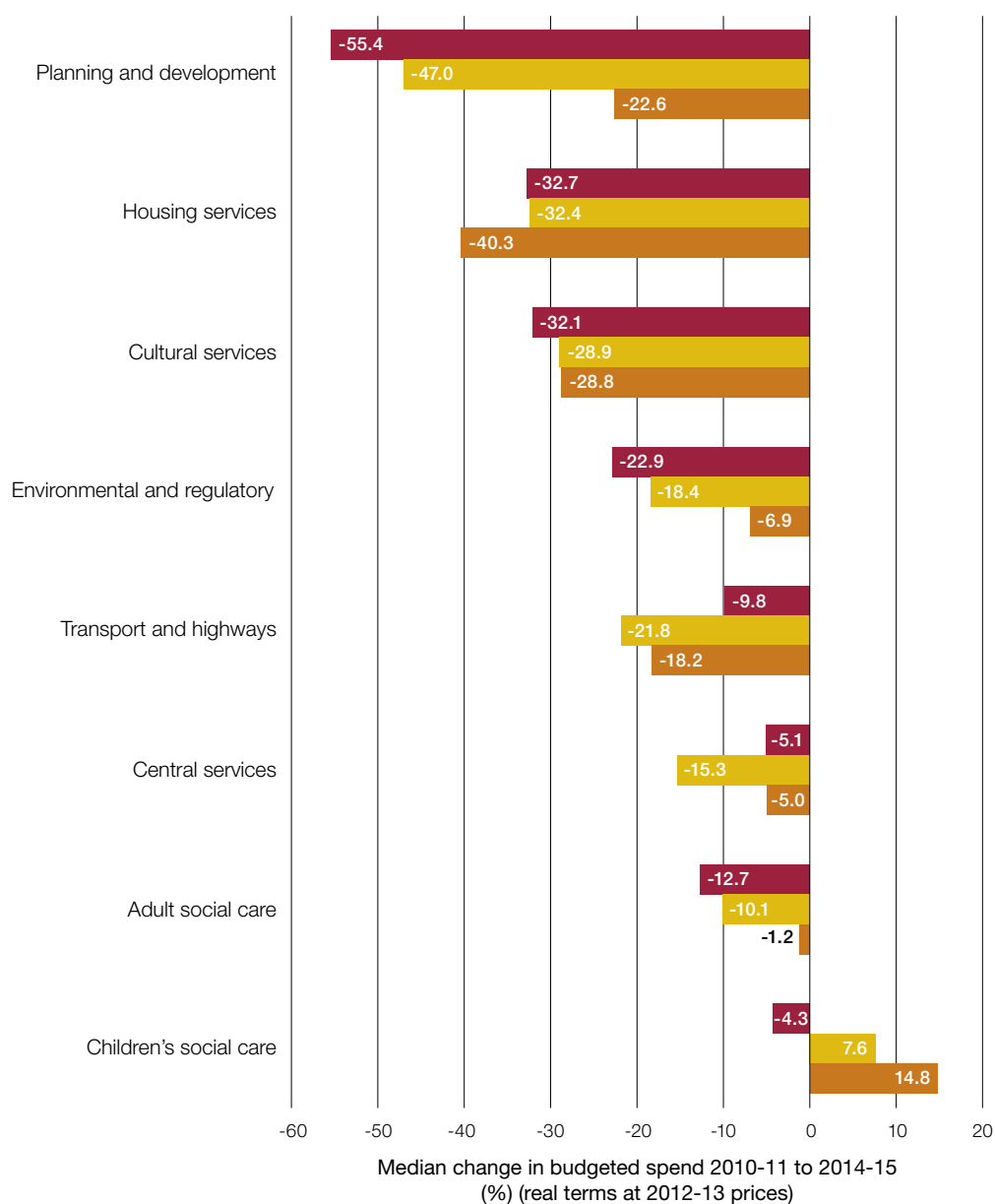
**3.46** Our report *Government grant services* found that in financial terms government grant-giving was concentrated in a small number of departments.<sup>95</sup> The 3 departments that give recipients outside government the largest amount of grant funding (the Department for Business, Innovation & Skills, the Department for Education and the Department for International Development) paid more than all other central government departments combined. The Department (for Education) operated more central government grant schemes than any other department (**Figure 16** on page 46).

**3.47** We found that there was no central good practice guidance and limited central data to support departments in implementing efficient and effective grant programmes. We recommended that the Cabinet Office and departments should work together to address these challenges.

**Figure 15**

Change in budgeted spend, 2010-11 to 2014-15

Local authorities with high cuts have been less able to protect social care



■ High-cuts authorities    ■ Medium-cuts authorities    ■ Low-cuts authorities

**Notes**

- 1 Local authorities with high cuts are those with a real-terms reduction in spending power greater than 23.5% (1 standard deviation below the mean) between 2010-11 and 2014-15. Those with low cuts saw a reduction in spending power of less than 15% (1 standard deviation above the mean).
- 2 Central services include corporate management, emergency planning, local tax collection and democratic services (which includes supporting councillors).

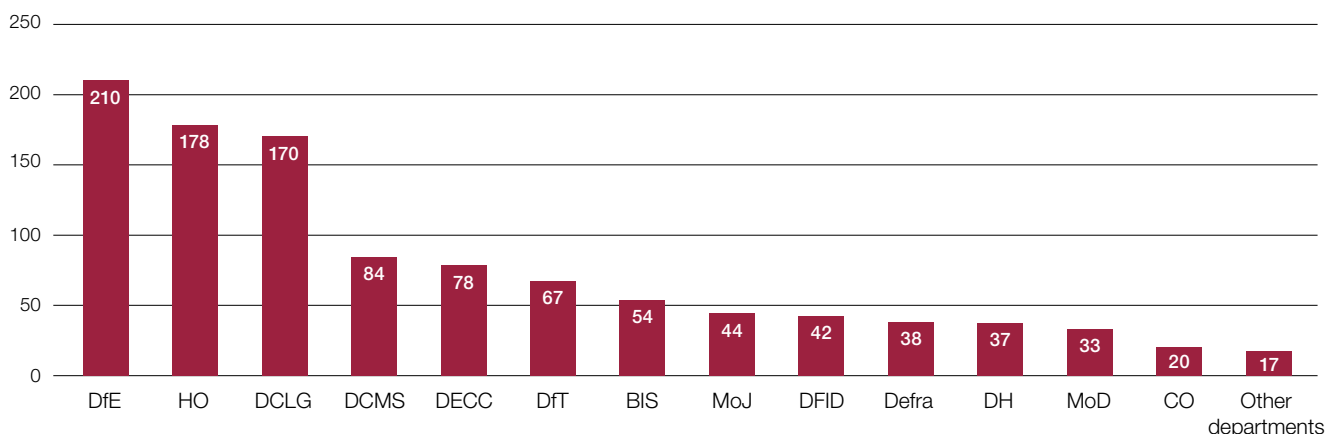
Source: National Audit Office analysis of Department for Communities and Local Government data

**Figure 16**

Working with departments, it is estimated that central government operates around 1,100 different grant schemes

**The Department for Education operates almost a fifth of central government grant schemes**

Number of grant schemes



**Notes**

- 1 DFID = Department for International Development, MoJ = Ministry of Justice, HO = Home Office, DCLG = Department for Communities and Local Government, DfE = Department for Education, DCMS = Department for Culture, Media & Sport, DfT = Department for Transport, DECC = Department of Energy & Climate Change, DH = Department of Health, BIS = Department for Business, Innovation & Skills, Defra = Department for Environment, Food & Rural Affairs, MoD = Ministry of Defence, CO = Cabinet Office.
- 2 Across government, there are variations in the way parts of government think about grants. The arrangements represented in the graph include considerable diversity. We have therefore used 'scheme' as a catch-all term to refer to the many different types of grant-based funding arrangements used by central government.
- 3 The 42 schemes listed for DFID include multi-donor grant schemes operated by others, to which DFID makes a contribution.

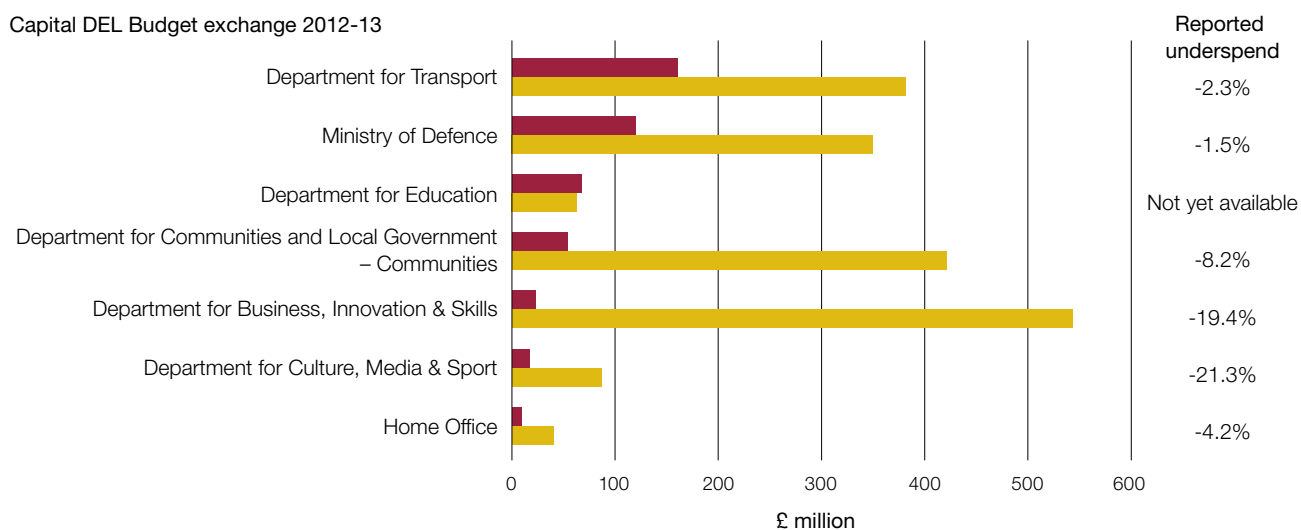
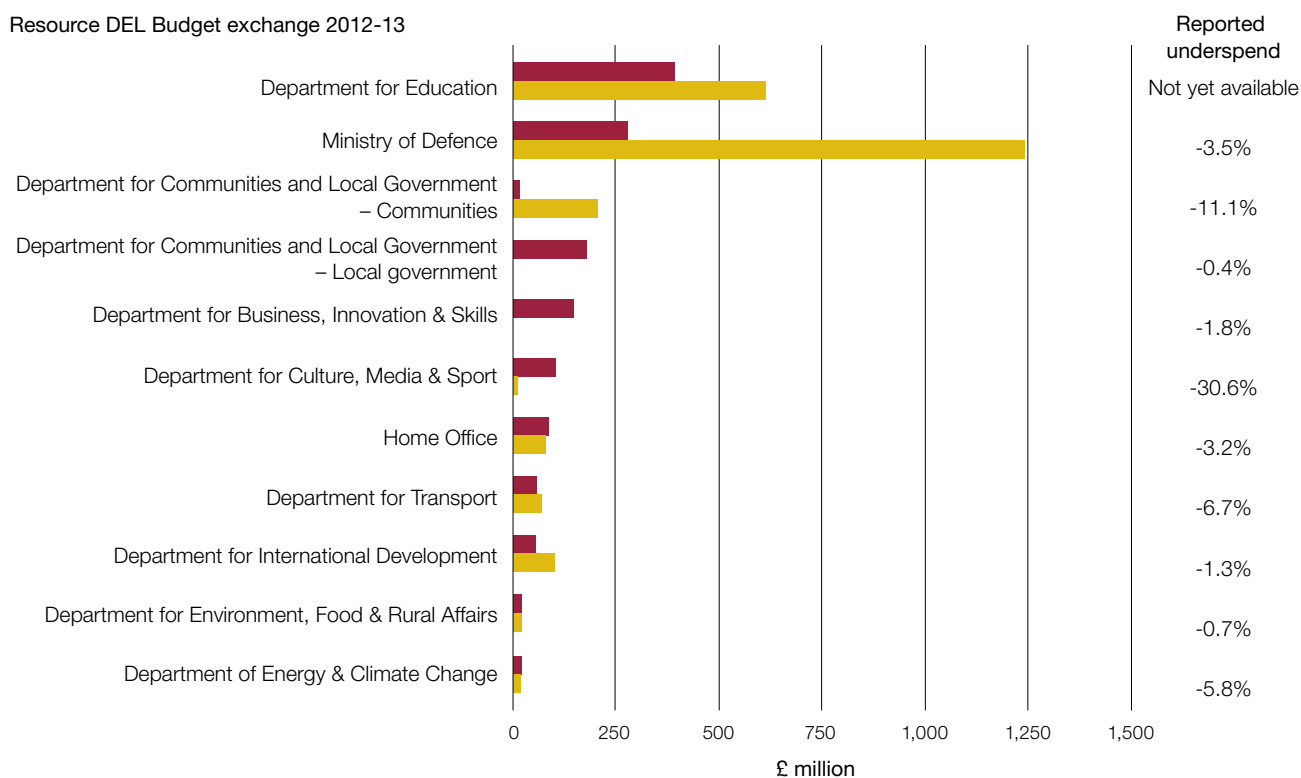
Source: National Audit Office analysis of Cabinet Office survey and departmental data

### Forecasting in government to achieve value for money (January 2014)

**3.48** Our report *Forecasting in government to achieve value for money* found that poor forecasting by government departments was an entrenched problem, leading to poor value for money and increased costs for taxpayers.<sup>96</sup> One consequence we identified was underspending. Whereas small underspends may reflect good management, significant and persistent underspending indicates poor forecasting and missed opportunities. The Department was 1 of 5 in 2012-13 that HM Treasury allowed to carry forward more Departmental Expenditure Limit resource expenditure, following underspends, than was permitted under its budget exchange rules (**Figure 17**).

**Figure 17**  
Budget exchange for 2012-13

HM Treasury allowed the Department for Education to carry forward more resource DEL than permitted under its budget exchange rules



■ Budget exchange limit    ■ Budget exchange used

**Note**

1 Budget exchange limits calculated according to HM Treasury thresholds. Figures are based on voted spend.

Source: National Audit Office analysis of HM Treasury data and departmental accounts

**3.49** We reported that the Department initially underestimated the scale of demand for the Academies Programme and had not developed robust cost estimates. When forecasting school places, the Department underestimated the extra demand for places resulting from an increasing birth rate. Gaps in its evidence on local demand and capacity, the costs of providing places and local authorities' financial contributions meant that it could not present a fully robust bid for funding at Spending Review 2010.

### **NAO work in progress**

**3.50** The NAO has the following value for money reports relating to the Department in progress:

- **Funding for disadvantaged pupils (2015).** This report will assess whether funding for disadvantaged pupils is closing the educational attainment gap, focusing on the Pupil Premium. The Department describes the 1.9 million children who are eligible for free school meals or those who are or have been in care as disadvantaged. It allocates additional funding for their education and expects schools to spend this money to improve these pupils' outcomes.
- **Annual Data Assurance update (2015).** This report will be the third review of the data systems underpinning the Department's measurement of its performance. In addition, the review will include an assessment of the 'information culture' at the Department.



# Appendix One

## The Department's sponsored bodies at 1 April 2014

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### Non-ministerial departments

**Office of Qualifications and Examinations Regulation (Ofqual)** regulates qualifications, examinations and assessments in England, including GCSEs, A-levels and the National Curriculum assessments. It also regulates a wide range of vocational qualifications both in England and Northern Ireland.

Ofqual is an independent non-ministerial department. It gives advice to government on qualifications and assessment based on research undertaken in these areas.

**Office for Standards in Education, Children's Services and Skills (Ofsted)** inspects and regulates services which care for children and young people, and those providing education and skills for learners of all ages.

### Executive agencies

**The Education Funding Agency (EFA)** provides funding for the education of learners between the ages of 3 and 19 and those with learning difficulties and disabilities between the ages of 3 and 25. It allocates funding to 152 local authorities for maintained schools and 4,000 voluntary-aided schools. The Agency has general oversight of academies, University Technical Colleges, studio schools and free schools. The Agency supports the delivery of capital programmes for schools, academies, free schools and sixth form colleges.

**The National College for Teaching and Leadership** aims to develop leaders of schools. Its main objectives include enabling leaders to direct school and system improvement in partnership with each other, maintain a supply of high-quality leaders for schools and children's centres, and improve the quality of leadership.

**The Standards and Testing Agency** manages the development and delivery of all statutory assessments from Early Years to the end of Key Stage 2. The agency also develops the professional skills tests for trainee teachers and manages the Yellow Label Service for secure dispatch of traceable exam scripts.

### Executive non-departmental public body

**The Office of the Children's Commissioner** promotes and protects the views of children. The Children's Commissioner has particular regard to children living away from home or receiving social care, as set out in the Children and Families Act 2014.

### Advisory non-departmental public bodies

**The Social Mobility and Child Poverty Commission** monitors the progress of government and others in improving social mobility and reducing child poverty in the United Kingdom. It is sponsored by the Department, the Cabinet Office and the Department for Work & Pensions.

**The School Teachers' Review Body** examines and reports on matters relating to the statutory conditions and employment of school teachers in England and Wales.

### Other

**The Office of the Schools Adjudicator** helps to clarify the legal position on admissions policies in schools.

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# Appendix Two

## Results of the Civil Service People Survey 2013

Survey question (% 'strongly agree' or 'agree')	Department for Education	Civil service benchmark
<b>Leadership and managing change</b>		
I feel that my department as a whole is managed well	32	43
Senior managers in my department are sufficiently visible	41	51
I believe the actions of senior managers are consistent with my department's values	35	43
I believe that the board has a clear vision for the future of my department	29	42
Overall, I have confidence in the decisions made by my department's senior managers	30	41
I feel that change is managed well in my department	21	29
When changes are made in my department they are usually for the better	16	27
My department keeps me informed about matters that affect me	53	58
I have the opportunity to contribute my views before decisions are made that affect me	29	36
I think it is safe to challenge the way things are done in my department	31	38
<b>Organisational objectives and purpose</b>		
I have a clear understanding of my department's purpose	83	85
I have a clear understanding of my department's objectives	77	80
I understand how my work contributes to my department's objectives	81	83

### Notes

- 1 These are summary results of the Civil Service People Survey 2013. Not all question scores have been included.
- 2 The score for a question is the percentage of respondents who strongly agree or agree to that question.
- 3 Updated information from the October 2014 survey will be available in early 2015.



## Appendix Three

### Publications by the NAO on the Department since April 2013

Publication date	Report title	HC number	Parliamentary session
27 November 2014	Children in care	HC 787	2014-15
30 October 2014	Academies and maintained schools: Oversight and intervention	HC 721	2014-15
3 September 2014	16- to 18-year-old participation in education and training	HC 624	2014-15
29 January 2014	Performance and capability of the Education Funding Agency	HC 966	2013-14
16 January 2014	Department for Education and Education Funding Agency financial statements for 2012-13	HC 49	2013-14
11 December 2013	Establishing Free Schools	HC 881	2013-14
12 August 2013	2012-13 review of the data systems for the Department for Education	<a href="http://www.nao.org.uk/wp-content/uploads/2013/07/009877-017_DFE_Information-summary-sheet.pdf">www.nao.org.uk/wp-content/uploads/2013/07/009877-017_DFE_Information-summary-sheet.pdf</a>	
8 July 2013	Communication with academy auditors 2013	<a href="http://www.nao.org.uk/wp-content/uploads/2013/07/NAO-Communication-with-academy-auditors-2013.pdf">www.nao.org.uk/wp-content/uploads/2013/07/NAO-Communication-with-academy-auditors-2013.pdf</a>	

## Appendix Four

### Cross-government reports of relevance to the Department since September 2013

Publication date	Report title	HC number	Parliamentary session
19 November 2014	Financial sustainability of local authorities	HC 783	2014-15
10 September 2014	Update on the National Cyber Security Programme	HC 626	2014-15
16 July 2014	The 2013-14 savings reported by the Efficiency and Reform Group	HC 442	2014-15
3 July 2014	Government grant services	HC 472	2014-15
31 March 2014	Update on the Next Generation Shared Services strategy	HC 1101	2013-14
7 February 2014	Progress on public bodies reform	HC 1048	2013-14
31 January 2014	Forecasting in government to achieve value for money	HC 969	2013-14
December 2013	Evaluation in government	<a href="http://www.nao.org.uk/wp-content/uploads/2013/12/10331-001-Evaluation-in-government_NEW.pdf">www.nao.org.uk/wp-content/uploads/2013/12/10331-001-Evaluation-in-government_NEW.pdf</a>	

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# Where to find out more

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