

A Short Guide to the

Department for Education





About this guide and contacts

This Short Guide summarises what the [Department for Education](#) does, how much it costs, recent and planned changes, and what to look out for across its main business areas and services.



If you would like to know more about the National Audit Office's (NAO's) work on the Department for Education, please contact:

Laura Brackwell

Director, Education

✉ laura.brackwell@nao.gsi.gov.uk

☎ 020 7798 7301

Simon Helps

Director, Education

✉ simon.helps@nao.gsi.gov.uk

☎ 020 7798 5317

If you are interested in the NAO's work and support for Parliament more widely, please contact:

✉ parliament@nao.gsi.gov.uk

☎ 020 7798 7665

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. 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 £734 million in 2016.

Design & Production by NAO External Relations
DP Ref: 11565-001

© National Audit Office 2017

Overview



Key facts



About the Department for Education



Accountability to Parliament



Where the Department spends its money



Spending plans



Key trends



Strategic and major programmes and developments



Key themes from NAO reports

Key facts

Some notable facts in this short guide

The Department for Education (the Department) is responsible for children's services and education, including schools, higher and further education policy, apprenticeships and skills in England.



£3.0 billion¹
estimated savings
mainstream schools need
to make by 2019-20 to
counteract cost pressures



£6.7 billion
estimated cost of
returning all school
buildings to 'satisfactory
or better' condition



£700 million
estimated annual
spending by central
government and schools
on training new teachers



**41 further
education colleges**
subject to a formal intervention
due to poor financial health
as at June 2017



£88.8 billion
face value of student loan
book as at 31 March 2017



3 million
target for the number of
new apprenticeship starts
between 2015 and 2020



1.5 million
children receiving funded
childcare, January 2017



394,400
children under the age
of 18 in England needing
help or protection as at
31 March 2016



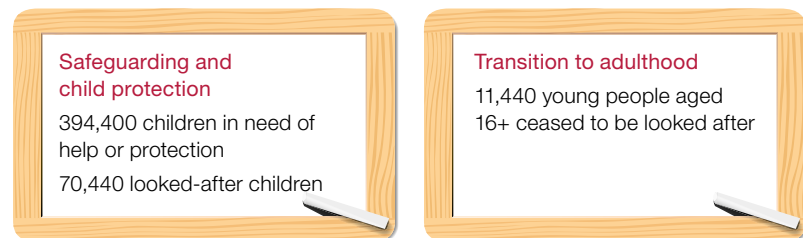
23%
of local authorities with help
and protection services for
children that Ofsted judges
as 'good' as at August 2016

¹ This estimate is based on the Department's settlement in the 2015 Spending Review. In July 2017 the Secretary of State announced additional funding of £1.3 billion for the core schools budget over two years, 2018-19 and 2019-20. The Department has not yet revised its estimates of the savings that schools will need to make.

² Dates in the format '20xx-yy' refer to financial years (1 April to 31 March). Dates in the format '20xx/yy' refer to academic years (1 September to 31 August).

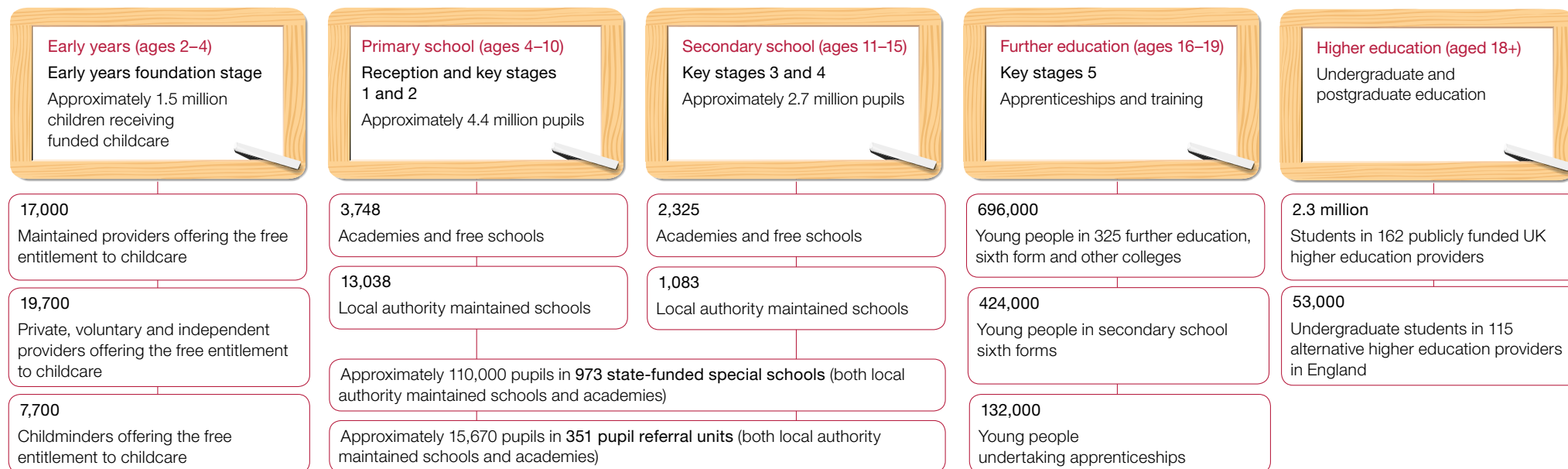
About the Department for Education

Children's services



The Department for Education oversees education in schools and colleges, and children's services provided by 152 local authorities. The Department is also home to the Government Equalities Office, working on ensuring opportunity is equal to all, no matter what their background or family circumstances.

Education and skills



Notes

- 1 Children's services figures are for 2015–16.
- 2 School and pupil figures are as at January 2017 for mainstream education and funded early years.
- 3 Early years provider figures are for those offering the free entitlement to 3- and 4-year-olds.
- 4 Further education and apprenticeship figures are for December 2016 (provisional).
- 5 Higher education figures are for 2015/16.

Accountability to Parliament

Accounting Officer (Jonathan Slater, from May 2016)

The Permanent Secretary is the Accounting Officer for the Department for Education. He has personal responsibility and accountability to Parliament for proper stewardship of the resources allocated to the Department.

Accountability system

The Department's [2015 Accounting Officer System Statement](#) sets out the accountability system for education and children's services. The Accounting Officer is directly accountable for ensuring regularity, feasibility, propriety and value for money in the work undertaken by the Department and its agencies, including the Education and Skills Funding Agency, and academy trusts.

The accountability system for local authority maintained schools differs from that for academy trusts. The accountability requirements for maintained schools are set out in local authority financial schemes, and the requirements for academy trusts are set out in their funding agreements with the Secretary of State for Education. Each academy trust has its own accounting officer.

Statement of Parliamentary supply

As part of their annual accounts, government departments publish a statement of Parliamentary supply, reporting the total outturn (how much has been spent) compared with the amounts approved by Parliament. Any spending in excess of the authorised amounts is irregular. The Department for Education Group reported an excess of outturn of £3.2 billion in 2014-15 and £291 million in 2015-16. In 2016-17 the Department for Education Group did not exceed the authorised limits.

The four essentials of accountability

1

A clear expression of spending commitments and objectives



2

A mechanism or forum to hold to account



3

Clear roles and someone to hold to account



4

Robust performance and cost data



Source: Comptroller and Auditor General, *Accountability to Parliament for taxpayers' money*, Session 2015-16, HC 849, National Audit Office, February 2016

Where the Department spends its money

Department for Education Group expenditure in 2016-17

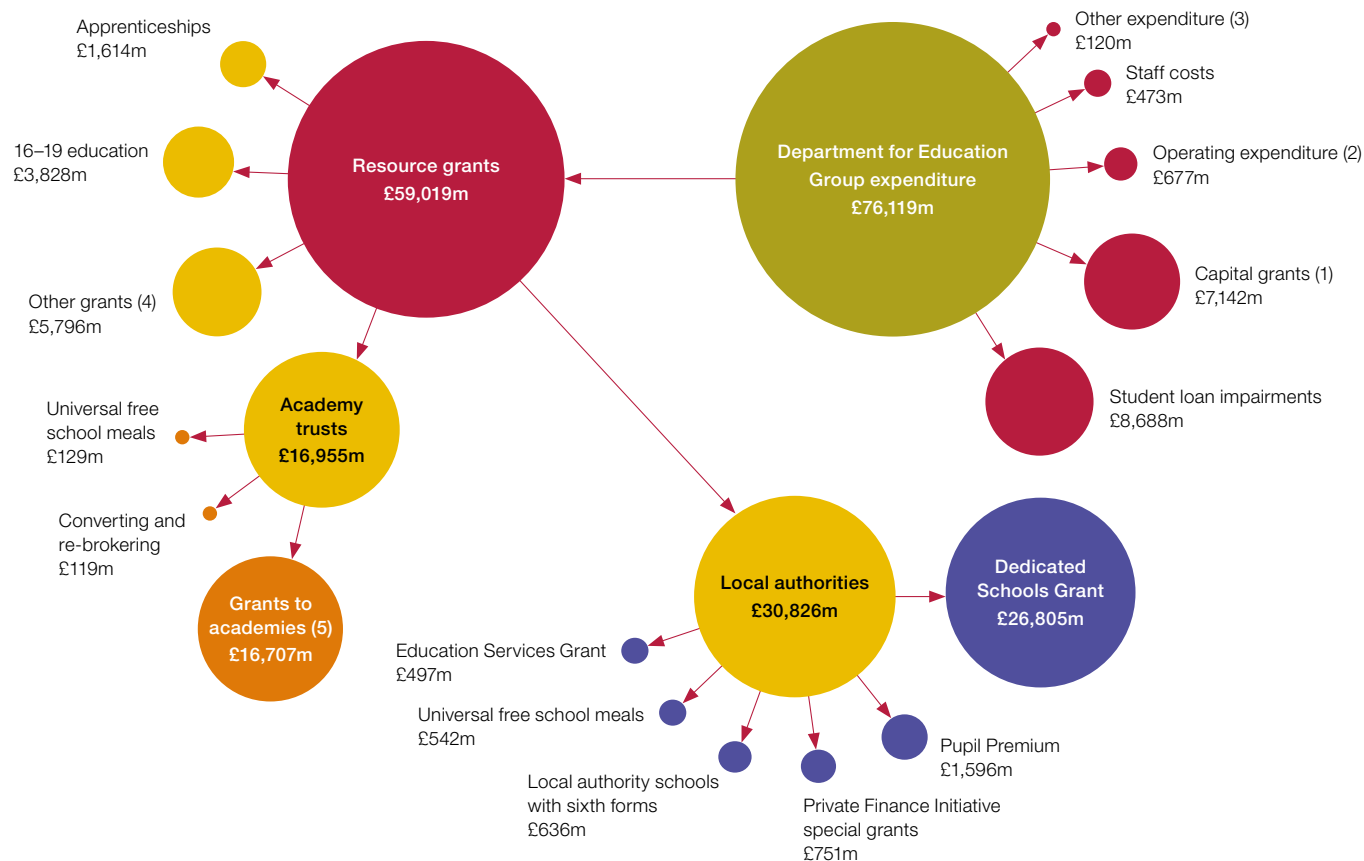
The Department for Education's Group expenditure totalled £76.1 billion in 2016-17.

Resource grants constituted 78% of the Group's expenditure. £52.5 billion (89% of resource grant expenditure) was spent via the Education Funding Agency.

Student loan impairments (the amount of loans which the Department expects never to be repaid and which it therefore writes off in the financial year) constituted 11% of the Group's expenditure. The face value of the student loan book was £88.8 billion at 31 March 2017. This is the value of loans outstanding with student borrowers, due to the Department. This differs from the amount these loans are worth to the Department (the fair value), which reflects the estimation that not all loans are expected to be repaid in full.

Notes

- 1 Capital grants include basic need schools capital grant (£1,575m), maintenance capital grants to local authorities and voluntary aided schools (£904m), academy capital grants and free school programme (£1,430m), the Priority Schools Building Programme (£1,056m), higher and further education capital grants (£2,165m) and other capital grants (£13m). In addition, the Department's annually managed capital outturn for 2016-17 was £13.1bn.
- 2 Operating expenditure includes expenditure such as consultancy costs, maintenance costs, utilities, IT and telecommunication costs, rentals, and travel and subsistence.
- 3 Other expenditure includes depreciation, impairments (excluding student loan impairments), other non-cash charges and corporation tax.
- 4 Other resource grants include grants for initial teacher training, adult education, schools and equalities office, other further and higher education grants, grants to other bodies, and grants to individuals.
- 5 Grants to academies include both grants to academies for young people under 16 and grants to academies with sixth forms.



Source: Department for Education Annual Report and Accounts 2016-17 and Education Funding Agency Report and Accounts 2016-17

Spending plans

Department for Education's settlement in the 2015 Spending Review

The settlement provided for an increase in the Department's resource budget by 6.5% in cash terms between 2015-16 and 2019-20. The capital budget was set to decrease by 4.3% over the same period.

Financial implications of the 2015 Spending Review

Children's services

The Department's central children's services budget was protected in cash terms at more than £300 million per year.

Early years

Resource spending: Increase of £1 billion per year by 2019-20 for more free childcare places for 2-, 3- and 4-year-olds.

Capital spending: £50 million of funding to create additional nursery places.

Schools

Resource spending: The overall schools budget was protected in real terms (7.7% increase in cash terms between 2015-16 and 2019-20).

Capital spending: £23 billion of funding over the period, with the aim of opening 500 new free schools by September 2020, providing more than 600,000 new school places, and delivering rebuilding and refurbishing works at more than 500 schools.

Savings: £600 million of savings to be made from phasing out the Education Services Grant and supporting schools to realise efficiencies.

Development since the Spending Review

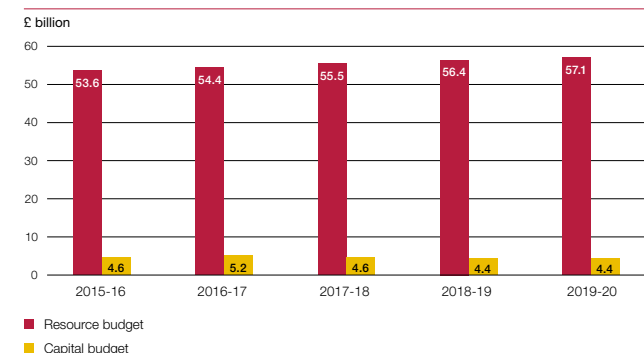
In July 2017 the Secretary of State for Education announced an additional £1.3 billion of funding for the core schools budget across 2018-19 and 2019-20. She said that this would enable per pupil funding to be maintained in real terms for the two years to 2019-20.

The Secretary of State announced that the extra funding would be found from efficiencies and savings in the Department's budget. Specifically: £420 million from the main capital budget; £280 million from the free schools programme; and reprioritising £250 million in 2018-19 and £350 million in 2019-20.

Further education and higher education

Resource spending: New financial support through a range of maintenance and tuition fee loans, totalling £1 billion in 2019-20 and covering around 250,000 students.

The national base rate per student for 16- to 19-year-olds is to be maintained in cash terms until 2019-20.



Notes

1 In July 2016, subsequent to the 2015 Spending Review, the functions of the former Department for Business, Innovation & Skills in respect of higher and further education policy, apprenticeships and skills were transferred to the Department for Education. The graph does not include budget for these functions.

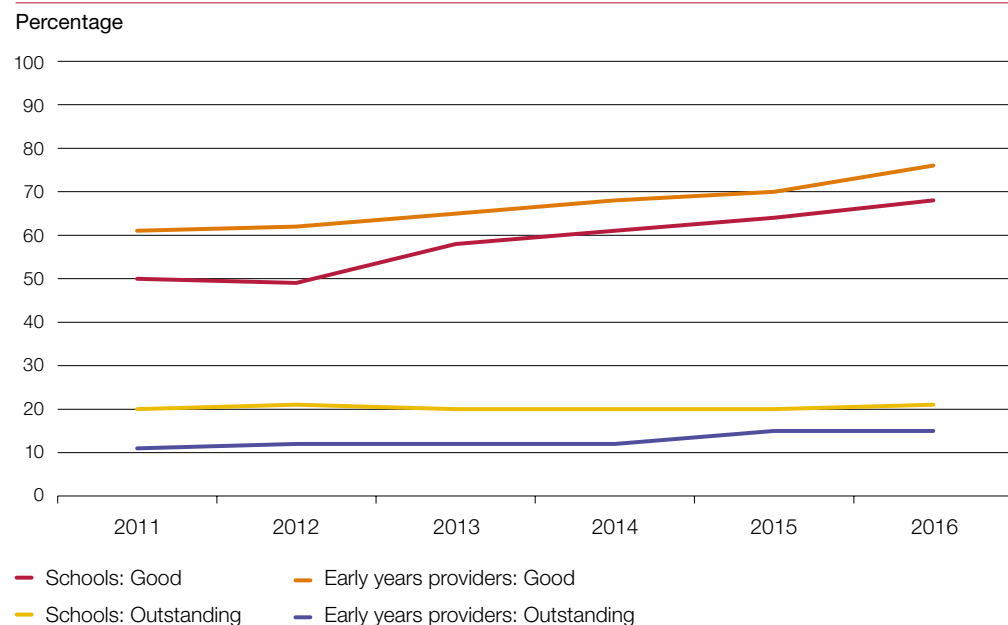
2 Resource budget excludes depreciation.

Source: Spending Review and Autumn Statement 2015

Key trends

Percentage of schools and early years providers rated as outstanding or good by Ofsted, 2011 to 2016

The percentage of schools and early years providers rated as outstanding or good has increased since 2011. In 2016 Ofsted rated 89% of schools and 91% of early years providers as outstanding or good, compared with 70% and 72% in 2011.



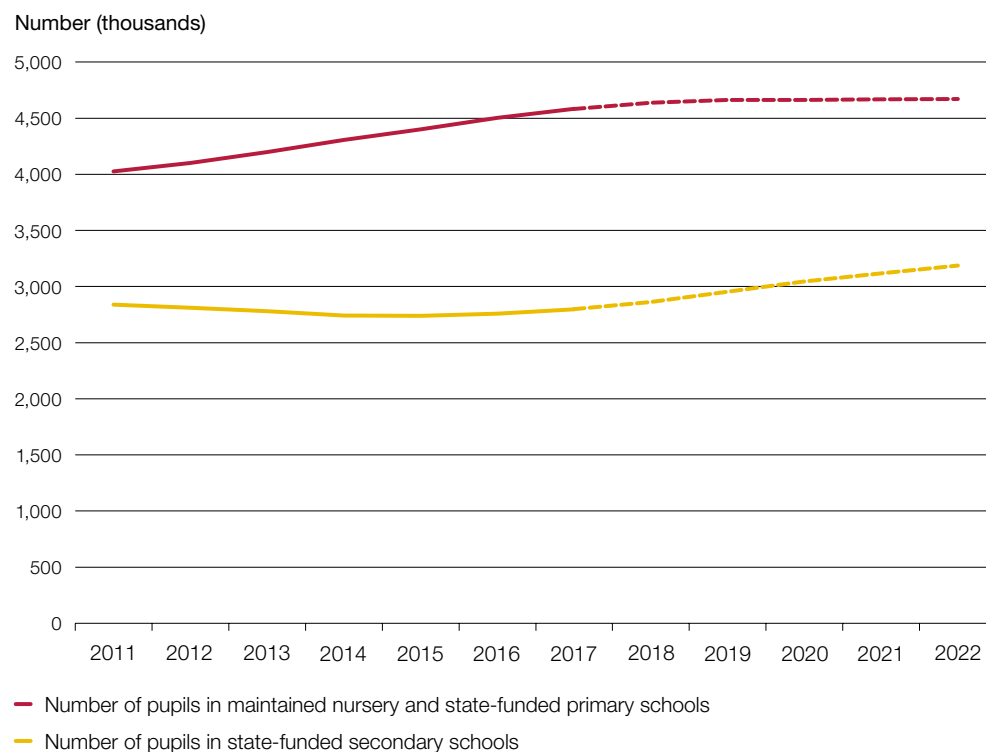
Note

1 Figures are for those schools that have been inspected and are based on the most recent inspection as at 31 August each year.

Sources: Ofsted; *Maintained schools and academies inspections and outcomes as at 31 March 2017*; *Childcare providers and inspections as at 31 March 2017*; and *Childcare providers and inspections as at 31 August 2015*

Total pupil numbers, 2011 to 2022 (forecast from 2018)

Local authorities face the challenge of providing school places for growing numbers of pupils. In particular the number of secondary school pupils is expected to rise significantly – by 391,000 (14%) between 2017 and 2022.



Source: Department for Education, National pupil projections, July 2017

Strategic and major programmes and developments

Machinery of government changes

In July 2016 the Department for Education took over the functions of the former Department for Business, Innovation & Skills in respect of higher and further education policy, apprenticeships and skills. As a result it assumed responsibility for overseeing the Skills Funding Agency and eight executive non-departmental public bodies.

Academies and free schools

Academies are publicly funded independent schools which receive funding directly from the government. They are run by an academy trust, which employs the staff. Some academies have sponsors such as businesses, universities or voluntary groups. The Department no longer requires all schools to convert to academies but has an ambition “that all schools should benefit from the freedom and autonomy that academy status brings”.

Free schools are a type of academy that can be set up by people or organisations as an alternative to existing local schools. The aim of free schools is to give parents more choice, encourage innovation and increase competition between schools, and thereby improve the quality of education.

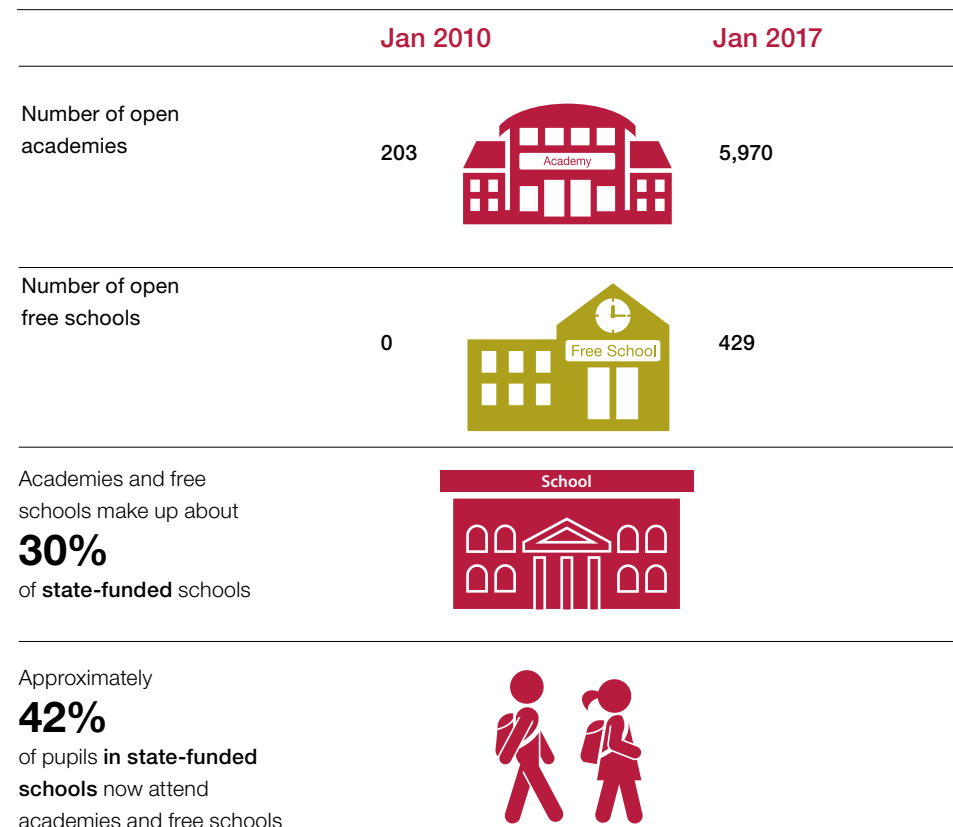
Legislative changes

Three major pieces of legislation received Royal Assent in April 2017:

- **Children and Social Work Act 2017:** A new organisation, Social Work England, will take over from the Health and Care Professions Council as the regulator of social workers. The Act also introduces an assessment system to improve social workers’ skills and knowledge, and a requirement for local authorities to offer personal support to all care leavers up to the age of 25.
- **Higher Education and Research Act 2017:** By April 2018 the Higher Education Funding Council for England and the Office for Fair Access will be dissolved and the government will establish a new regulatory framework for higher education. A new Office for Students will take on responsibility for funding and regulating all higher education providers.
- **Technical and Further Education Act 2017:** Allows for the creation of a new insolvency regime for colleges and the expansion of the remit of the Institute for Apprenticeships.

Numbers of academies and free schools, January 2010 and January 2017

The number of academies and free schools has grown significantly in recent years.



Key themes from NAO reports

Financial sustainability

As cost pressures increase, the Department needs effective arrangements to ensure that the quality of services and educational outcomes are not put at risk.

Overseeing financial sustainability in the further education sector (July 2015)	The financial health of the further education college sector is rapidly declining, and there is no clear process to inform decisions about local provision. There are fundamental structural problems which might require decisions at a regional or sector-wide level as more colleges are expected to experience financial difficulty.
Entitlement to free early education and childcare (March 2016)	From September 2017 parents will be able to access an additional 15 hours of free childcare (30 hours in total). However, there is a risk that funding rates will not be sufficient to attract providers to offer the free entitlement.
Financial sustainability of schools (December 2016)	Following the 2015 Spending Review, schools are entering a period of reducing real-terms funding per pupil. The Department estimates that mainstream schools will have to find savings of £3.0 billion to counteract cumulative cost pressures. Overall, the financial position of primary schools has been relatively stable; however, there are signs of financial challenges in secondary schools.
Capital funding for schools (February 2017)	The Department must make the best use of the capital funding it has available by continuing to increase the use of data to inform its funding decisions and by creating places where it can demonstrate that they will have the greatest impact. Free schools often meet a demographic need for new school places, but they are also creating spare capacity, which may have implications for schools' financial sustainability.

Workforce and skills

The Department needs to do more to demonstrate the impact of its workforce and skills programmes.

Training new teachers (February 2016)	The Department has missed its targets for filling initial teacher training places for four consecutive years, between 2012/13 to 2015/16, and there are signs that teacher shortages are growing. It needs to do more to demonstrate how new arrangements for training new teachers are improving the quality of teaching in classrooms.
Delivering value through the apprenticeships programme (September 2016)	The Department has not set out how it will use the increase in apprenticeship numbers to deliver improvements in productivity, and how it will influence the mix of apprenticeships in order to deliver the most value. It has also not defined what 'success' will look like in the reformed apprenticeships programme.

Oversight and intervention

The Department needs effective oversight and intervention arrangements given the diverse and increasing number of bodies it oversees.

Funding for disadvantaged pupils (June 2015)	While it will take time for the impact of the Pupil Premium to become clear, it has the potential to bring about a significant improvement in outcomes. The Department reviews pupil outcomes but does not routinely monitor early-warning signs of success or failure. The Department will need to review whether spending more money in this way would allow it to close the attainment gap more quickly.
Children in need of help or protection (October 2016)	The actions taken by the Department since 2010 to improve the quality of local authorities' children's services have not resulted in services being of good enough quality. Nationally, the quality of help and protection for children is unsatisfactory and inconsistent, suggesting systemic rather than local failure. The Department's interventions to improve failed local services for children are neither risk-based nor early enough.



Children's services



How children's services
are delivered



In your area



Recent and planned
developments: what are
the things to look out for?

How children's services are delivered



Children in need of help or protection

Spending: £1.9 billion in 2015-16 on children's social work including on local authority functions relating to child protection.

Who pays: Local authorities fund services from their revenue support grant from the Department for Communities and Local Government and their own resources.

Scope:

- 394,400 children under the age of 18 in England needed help or protection from local authorities as at 31 March 2016.
- 621,470 referrals for children to receive help or protection during 2015-16.

Looked-after children

Spending: £2.6 billion in 2015-16.

Who pays: Local authorities fund services from their revenue support grant from the Department for Communities and Local Government and their own resources.

Scope: 70,440 looked-after children as at 31 March 2016.

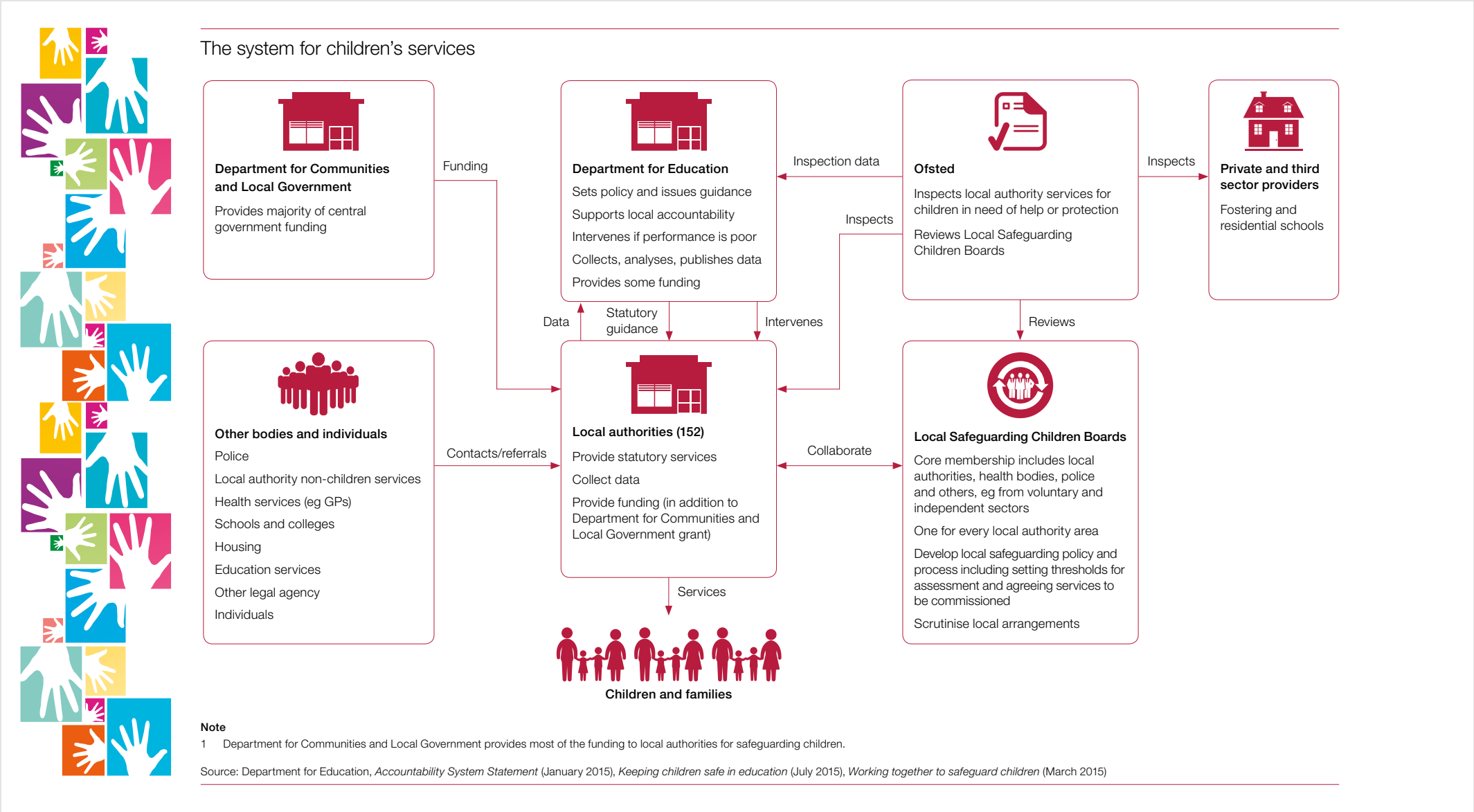
Care leavers

Spending: £282 million in 2015-16.

Who pays: Local authorities fund services from their revenue support grant from the Department for Communities and Local Government, funding from other government departments and their own resources.

Scope: 11,440 young people aged 16+ ceased to be looked after in 2015-16.

How children’s services are delivered *continued*



In your area

Nationally, the quality of help and protection for children is unsatisfactory and inconsistent, suggesting systemic rather than just local failure.

- Ofsted judged as 'good' only 23% of the 103 local authorities it inspected between November 2013 and 25 August 2016. It judged 20% of local authorities as 'inadequate'.
- When Ofsted judges that a local authority is 'inadequate', the Department intervenes. As at September 2016, it was intervening in 26 local authorities.
- Children in different parts of the country do not get the same access to help or protection. Local thresholds should ensure that all children get access to the right help or protection at the right time. In its report on children in need of help or protection in October 2016, the NAO noted that thresholds were not always well understood or applied by local partners. In Ofsted's view some local thresholds were set too high or too low, leading to inappropriate referrals or children left at risk.
- In the year ending 31 March 2015, there was wide variation in the effectiveness of work between local authorities, as illustrated by two proxy measures. The rates of:
 - re-referrals to children's social care during the year ranged from 6% to 46%; and
 - children with repeat child protection plans ranged from 3% to 44%.

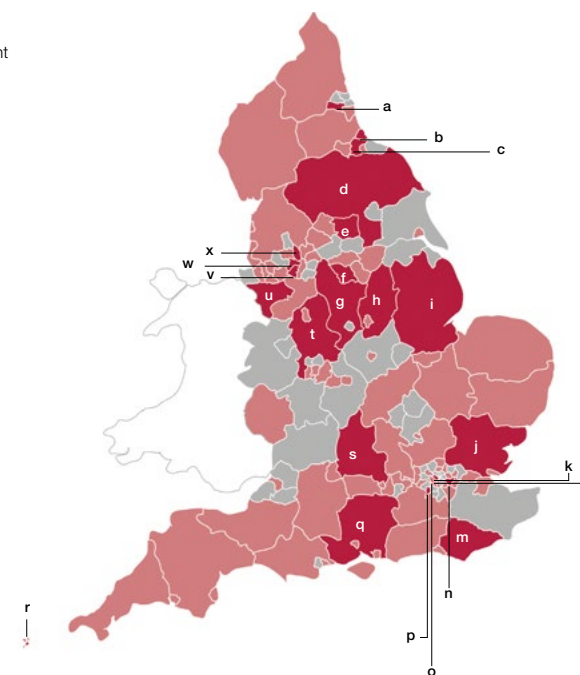
There is also a wide range of reported spending on children's social work.

- In 2014-15 average spending ranged from around £340 per child in need in one authority to £4,970 per child in need in another.
- There is no relationship between spending per child in need and the quality of service offered by the local authority.

The location of local authorities judged 'good' for help and protection by Ofsted as at August 2016

Ofsted judgement for 'children who need help and protection'

- Good
- Requires improvement or Inadequate
- Not yet inspected



a Gateshead	h Nottinghamshire	n Greenwich	s Oxfordshire
b Hartlepool	i Lincolnshire	o Hammersmith and Fulham	t Staffordshire
c Stockton-on-Tees	j Essex	p Kingston upon Thames	u Cheshire West and Chester
d North Yorkshire	k Westminster	q Hampshire	v Trafford
e Leeds	l Kensington and Chelsea	r Isles of Scilly	w Salford
f Sheffield	m East Sussex	x Bury	
g Derbyshire			

Source: National Audit Office analysis of 103 Ofsted reviews of local authorities as at 25 August 2016

Recent and planned developments: what are the things to look out for?

Reforming children's social care

The Department published its policy paper *Putting children first* in July 2016. This outlined plans for reforming children's social care, focusing on people and leadership, practice and systems, and governance and accountability.

What to look out for: As part of its reforms, the Department will launch a new 'What Works Centre' for children's social care to identify best practice in supporting children suffering from, or at risk of, abuse and/or neglect.



Improving children's services

In 2010 the Department recognised that child protection services were not good enough and commissioned the Munro Review to establish how to improve the system for child protection.

In 2012 the Department began to publish and collect more information to help local authorities assess the performance of their children's services. It also launched a programme to reform social work, revised statutory guidance, established the first two children's social care trusts and provided more than £100 million funding for an innovation programme.

What to look out for: The Department knows the quality of work with children and families is still inconsistent despite its efforts. In 2016 it set a goal that all vulnerable children, no matter where they live, should receive the same high-quality care and support by 2020.

Increasing demand

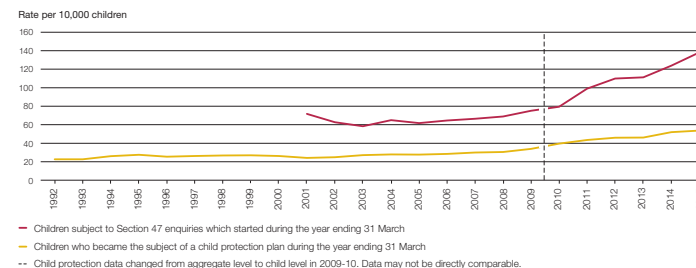
The demand for help or protection for children is rising. At 31 March 2016, 394,400 children in England were assessed as being in need of help or protection. In 2013-14 there were 2.3 million initial contacts (an increase of 65% since 2007-08).

In the 10 years to 2014-15 there was a marked rise in serious cases requiring children to be protected from harm. For example, the rate of enquiries made by local authorities when they believe a child may be suffering, or likely to suffer, significant harm increased by 124%.

What to look out for: The impact of rising demand on local authorities, at a time when they are facing increasing difficulty in absorbing reductions in central government funding without reducing services.

Enquiries where the local authority has reasonable cause to suspect a child suffering, or is likely to suffer, significant harm (Section 47 enquiries), and child protection plans, England, 1991-92 to 2014-15

Over 10 years, Section 47 enquiries per 10,000 children rose by 124%, and rates of children starting on child protection plans rose by 94%



Source: National Audit Office analysis of Department for Education's statistical first releases on Children in need and child protection, and Office for National Statistics' mid-year population estimates

Supporting young people leaving care

A cross-government strategy, *Keep on Caring*, was published in July 2016, to transform support for young people leaving care. The strategy focuses on three key areas: developing new ways of supporting care leavers; making corporate parenting everyone's responsibility; and driving system improvement.

What to look out for: A group of senior officials oversees progress in implementing the strategy. In particular, the gap between outcomes for care leavers and their counterparts in the general population needs to be monitored.



Financial sustainability



Financial challenges
facing the Department



In your area



Recent and planned
developments: what are
the things to look out for?

Financial challenges facing the Department

Financial sustainability of schools

In December 2016 the NAO reported that schools were entering a period of reducing real-terms funding per pupil and were facing a variety of cost pressures. The Department had estimated that mainstream schools would have to make economies or efficiency savings of £3.0 billion by 2019-20 to counteract cumulative cost pressures.

The NAO found that the Department's benchmarking analysis indicates that schools could save £1.3 billion by 2019-20 through better procurement and £1.7 billion by using staff more efficiently, but it could not be assured that these savings will be achieved in practice.

In July 2017 the Department announced additional funding of £1.3 billion for the core schools budget over two years, 2018-19 and 2019-20. This means that core schools funding will now be maintained in real terms per pupil over this two-year period. Schools still need to make efficiency savings over the period between 2015-16 to 2019-20 as a whole. The Department has not yet set out revised estimates of the efficiency savings schools need to make following the announcement.

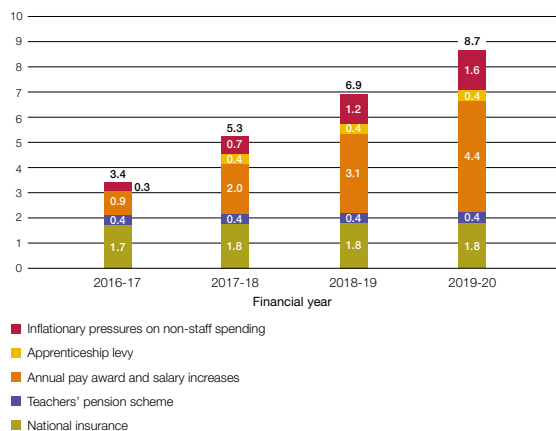
Capital funding for schools

The Department's funding to improve the condition of the school estate will average approximately £2 billion per year between 2013-14 and 2020-21. Its property data survey estimated that it would cost an estimated

Cumulative cost pressures facing schools, 2016-17 to 2019-20

The Department estimates cumulative cost pressures on schools of 3.4% in 2016-17, rising to 8.7% by 2019-20

Cumulative cost pressure (%)



Note
1 Percentages may not sum due to rounding.

Source: Department for Education

£6.7 billion to return all school buildings to 'satisfactory or better' condition. This cost is expected to increase, despite the funding.

Financial sustainability of further education colleges

The financial health of the further education college sector has been declining. In 2013/14, the sector was in deficit for the first time and 110 colleges recorded an operating deficit, up from 52 in 2010/11. Over the

College financial health assessment ratings, 2010/11 to 2013/14

The financial health of further education colleges is declining

Proportion of colleges (%)



Note
1 Percentages may not sum to 100% due to rounding.

Source: Skills Funding Agency

same period, the number of colleges assessed to have 'inadequate' financial health rose from 12 colleges (5% of colleges) to 29 colleges (12%).¹

As at 30 June 2017, the Education and Skills Funding Agency was formally intervening in 41 colleges because of poor financial health.

¹ This is the most recent data analysed by the NAO, presented in the report [Overseeing financial sustainability in the further education sector](#), published in July 2015.

In your area

Indicators of financial performance and cost vary between local authorities and regions. For example:

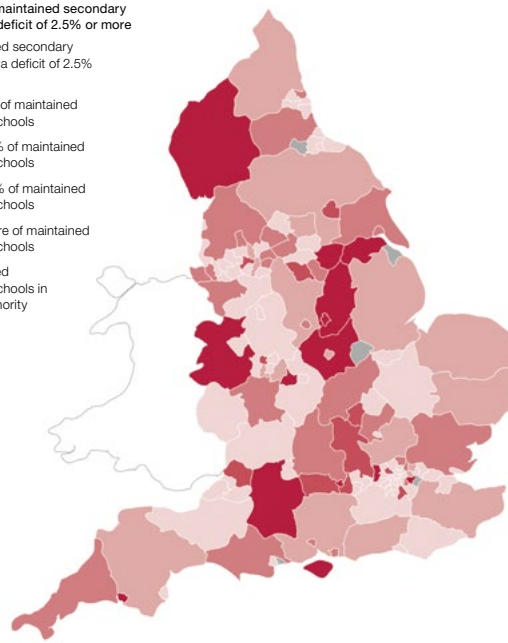
- The average funding rate per hour that local authorities provided for early years childcare for 3- and 4-year-olds in 2015-16 ranged from £2.28 in Harrow to £7.15 in Westminster.
- A small number of local authorities account for a large proportion of maintained secondary schools in deficit: one-third of the maintained schools in deficit in 2014-15 were in just 13 local authorities. In 2014-15, 74 local authorities had no maintained secondary schools with a deficit exceeding 2.5%, but 14 local authorities had at least one-third of their maintained secondary schools with deficits exceeding 2.5%.
- The costs of creating new school places vary significantly between local authorities. The cost of a primary school place ranged from £6,200 to more than £13,300 between 2009-10 and 2014-15. The reasons for the variation are unclear. It may indicate that some local authorities are not choosing to create new school places in the most cost-effective ways.
- Further education colleges in the Midlands were significantly more likely to have declining financial health between 2010/11 and 2013/14 than colleges in the rest of England. By contrast, colleges in the North East were, on average, most stable financially.¹

Percentage of maintained secondary schools with a deficit of 2.5% or more by local authority, 2014-15

There is variation between local authorities in the percentage of schools with a deficit of 2.5% or more but no regional pattern emerges

Percentage of maintained secondary schools with a deficit of 2.5% or more

- No maintained secondary schools with a deficit of 2.5% or more
- 0.1% to 10% of maintained secondary schools
- 10.1% to 20% of maintained secondary schools
- 20.1% to 30% of maintained secondary schools
- 30.1% or more of maintained secondary schools
- No maintained secondary schools in the local authority



Source: National Audit Office analysis of the Department for Education's maintained schools' income and expenditure data

Proportion of colleges (by region) whose financial health in 2013/14 was worse, the same or better than in 2010/11

Financial health trends vary widely between colleges with different characteristics

Region	Worse (%)	Same (%)	Better (%)
London	49	32	19
Midlands	61	33	7
North East	31	36	33
North West	41	51	7
South East	38	45	17
South West	41	51	8
National average	44	41	15

Notes

- ¹ This analysis uses the Skills Funding Agency's categorisation in 2013/14 for each college.
- ² Percentages may not sum due to rounding.

Source: National Audit Office analysis of Skills Funding Agency data

¹ This is the most recent data analysed by the NAO, presented in the report [Overseeing financial sustainability in the further education sector](#), published in July 2015.



Recent and planned developments: what are the things to look out for?

Early years provision

Parents of 3- and 4-year-olds and some 2-year-olds are entitled to 15 hours of free childcare per week. In 2015-16 the Department allocated £2.7 billion for early years provision, with 1.5 million children taking up a free childcare place.

What to look out for: From September 2017 working parents of 3- and 4-year-olds are entitled to an additional 15 hours of free childcare. There are risks that there will not be enough providers to offer the free entitlement, and that the new entitlement could hinder further implementation of the entitlement for disadvantaged 2-year-olds.

Priority School Building Programme

The Department's Priority School Building Programme aims to rebuild school buildings that are in the very worst condition. The first phase, costing £2.3 billion, will replace 214 schools, with a further 46 schools delivered through private finance funding.

By February 2017, the Department had delivered 178 projects at two-thirds of the cost per square metre of the Building Schools for the Future Programme. The Priority School Building Programme is, however, forecast to cost £286 million more than expected.

What to look out for: The second phase of the programme, costing £2.0 billion, will replace or refurbish blocks in 277 schools. Some local authorities and schools are concerned about what the Department has done to reduce costs (for example, decreasing the size of communal spaces).

Schools Financial Health and Efficiency Programme

The Department's Schools Financial Health and Efficiency Programme aims to help schools manage their budgets effectively and ensure their financial health, while maintaining or improving pupil outcomes. The Department has published benchmarking and efficiency tools, guidance and access to framework contracts, such as for energy.

What to look out for: The Department has provided schools with some advice and support to help make procurement and workforce efficiency savings. The House of Commons Committee of Public Accounts has expressed concern that the Department does not have the necessary arrangements in place to identify, and therefore act, if the actions schools take to make efficiency savings threaten the quality of education and educational outcomes.



Recent and planned developments: what are the things to look out for? *continued*

Financial reporting

The Comptroller and Auditor General issued 'adverse' opinions on the Department for Education Group's financial statements for 2013-14, 2014-15 and 2015-16. He concluded that the financial statements were not true and fair, and that the level of error and uncertainty was both material and pervasive. This was mainly caused by issues relating to consolidating academy trust accounts into the departmental group accounts, and recognition and valuation of academies' land and buildings.

What to look out for: The Department will prepare a separate annual report and accounts for the academy sector, starting from the academic year 2015/16, which is expected to be published in autumn 2017. Recognition and valuation of academy trust land and buildings are likely to remain challenging.

Further education area reviews

The government is supporting a restructuring of the post-16 education and training sector through a series of area-based reviews, with the aim of creating more financially stable and efficient providers and improved collaboration across different types of institution. In 2017, 37 area reviews were completed. The reviews looked at the economic and educational needs of an area, and the implications for post-16 education and training.

What to look out for: The recommendations of the area reviews are likely to mean college mergers or other types of restructuring, and a reduction in the total number of institutions. The reviews did not always include school sixth forms and there is a risk that areas will not have a full picture of provision.

National funding formula for schools

The Department has described the current system for distributing funding to schools as "unfair, non-transparent and out of date", noting that "similar schools and local areas receive very different levels of funding, with little or no justification".

The Department consulted on proposals for a national funding formula, intended to deliver a fair, transparent funding system where the amount of funding children attract for their schools is based on need and is consistent across the country. In July 2017 the Secretary of State for Education announced that the national funding formula would be introduced from 2018-19. For 2018-19 and 2019-20 the budget allocations for individual schools will be indicative and local authorities will continue to distribute funding using local formulae. The Secretary of State also announced an additional £1.3 billion for the core schools budget across 2018-19 and 2019-20 with the aim of ensuring that every local authority receives a rise in its per pupil funding as a result of the new funding formula.

What to look out for: The Department plans to introduce the national funding formula from 2018-19 with two transitional years. Spending plans for the years beyond 2019-20 will be set out in a future spending review.



Workforce and skills



Workforce and skills
challenges facing
the Department



In your area



Recent and planned
developments: what are
the things to look out for?

Workforce and skills challenges facing the Department

Teaching workforce

As at November 2016 there were 457,300 full-time equivalent teachers working in state-funded schools. The Department aims to ensure there are enough good-quality teachers everywhere they are needed.

In 2015/16 33,200 trainees started initial teacher training. The cost to central government and schools of training new teachers is around £700 million each year. The Department has missed its targets for filling initial teacher training places for four consecutive years, between 2012/13 and 2015/16, with secondary training places particularly difficult to fill.

The NAO plans to publish a report on retaining and developing the teaching workforce in September 2017.

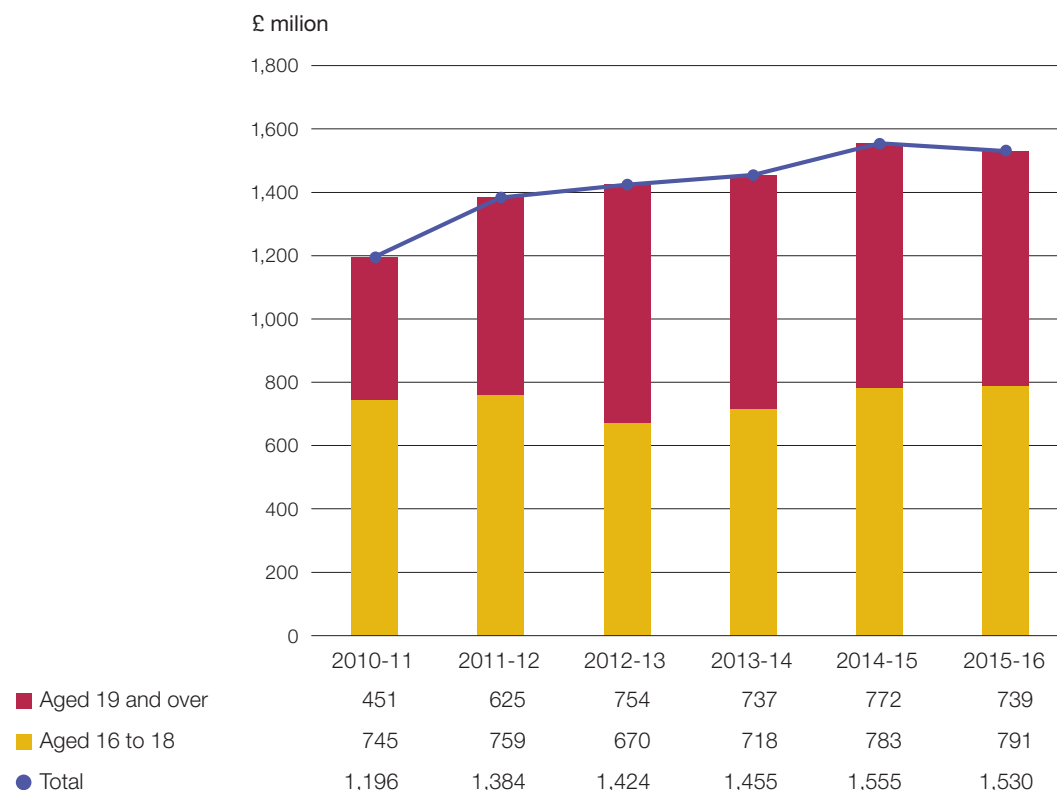
Apprenticeships reform

The Department is responsible for apprenticeships policy, relying on market mechanisms to address skills gaps in the economy. Public funding for apprenticeships totalled £1.5 billion in 2015-16. Funding arrangements changed significantly with the introduction of the apprenticeship levy in April 2017.

In December 2015 the Department published its vision for reforming the apprenticeships programme. It outlined plans for increasing the quality and quantity of apprenticeships, and set a target for three million new apprenticeships to start by 2020. When the NAO reported in September 2016, the Department had not defined success measures for the reformed programme. By March 2017 it had addressed this issue by publishing a benefits realisation strategy.

Public funding for apprenticeships, 2010-11 to 2015-16

Public funding for apprenticeships has generally risen in cash terms since 2010



Note

1 Taking inflation into account, public funding for apprenticeships rose 15% from 2010-11 to 2015-16.

Source: National Audit Office analysis of Skills Funding Agency data

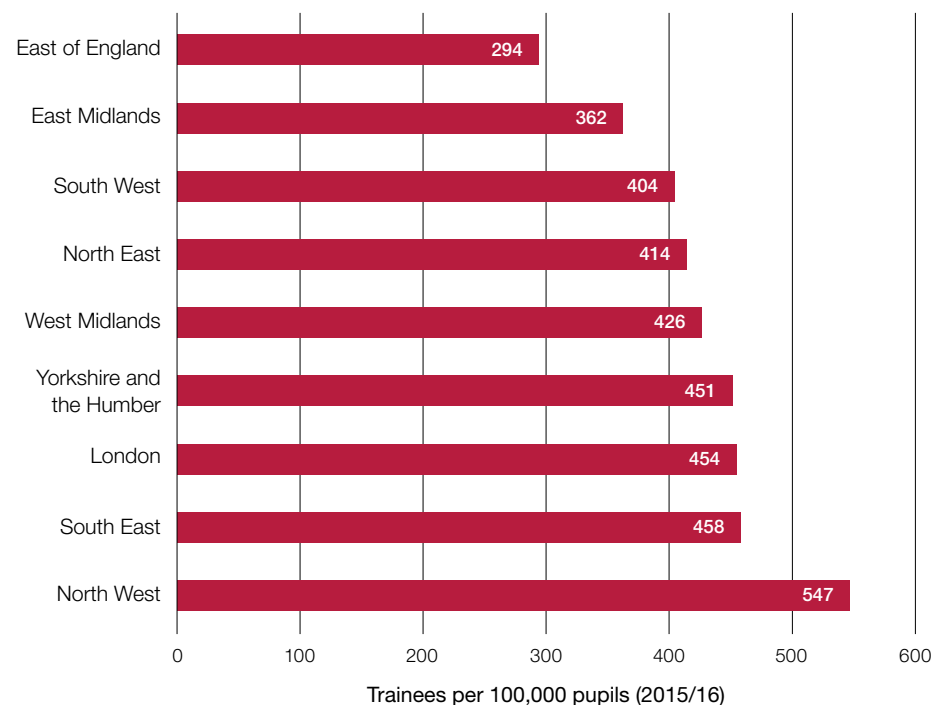
In your area

The Department takes a national approach to teacher supply, and has more to do to understand important local and regional issues. The number of teacher trainees recruited varies considerably across England – in 2015/16, 547 trainees were recruited for every 100,000 pupils in the North West compared with 294 in the East of England. Although not all trainees go on to teach close to where they trained, this is a common career choice. Ofsted has found that isolated schools struggle to attract and retain enough teachers of the right calibre.

The Department focuses much of its activity on recruiting and training new teachers, and expects schools to play the central role in retaining and developing the existing workforce. The Department has a range of interventions to support schools, and is developing ways to improve its knowledge of the local demand for, and supply of, teachers. It published regional analysis in September 2016 and in May 2017 reported that, in several regions, most teachers stay within commuting distance when moving schools.

Trainees per 100,000 pupils by region, 2015/16

There were 547 trainees for every 100,000 pupils in the North West compared with 294 in the East of England in 2015/16



Note

1 2015/16 data are provisional.

Source: National College for Teaching and Leadership

Recent and planned developments: what are the things to look out for?

Early years workforce

The Department published its *Early Years Workforce Strategy* in March 2017, setting out how it plans to support the early years sector to remove barriers to attracting, retaining and developing staff. Commitments include improving the quality of early years training, and providing access to continuous professional development.

What to look out for: A risk to successful implementation of the extended entitlement to free childcare (which starts in September 2017) is that providers do not have enough skilled staff, particularly in disadvantaged areas.

Social mobility

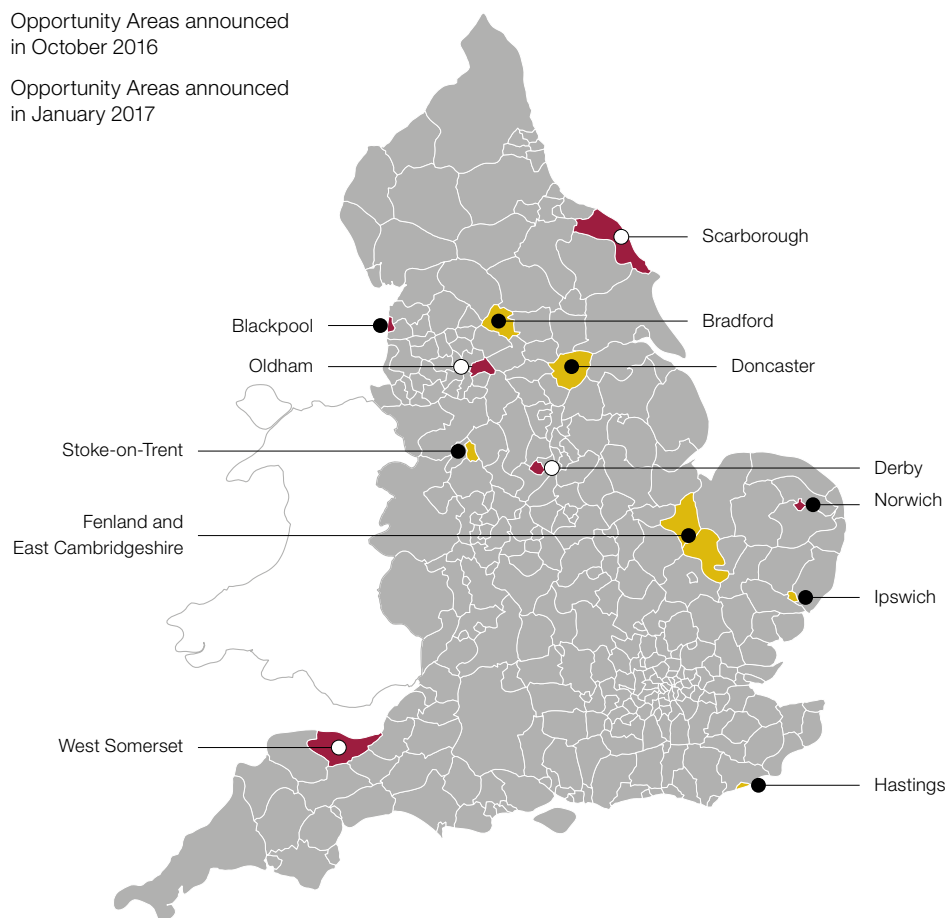
In January 2017 the Secretary of State for Education set out the role of education in removing obstacles to social mobility and her three priorities of “tackling geographic disadvantage, investing in long-term capacity in our system and making sure our education system as a whole really prepares young people and adults for career success”.

To help achieve this, the Department has created 12 opportunity areas that will receive funding and other support with the aim of ensuring that children in these parts of the country have opportunities to reach their potential. The Department has allocated £72 million in total over three years from 2017-18 across the 12 opportunity areas.

What to look out for: The Department is in the process of identifying the issues specific to each opportunity area and how best to address them. It plans to use the funding to work with schools, businesses and charities to build teaching and leadership capacity, and improve access to higher and further education and employment.

Social mobility

- Opportunity Areas announced in October 2016
- Opportunity Areas announced in January 2017



Source: Department for Education

Recent and planned developments: what are the things to look out for? *continued*

Chartered College of Teaching

The Chartered College of Teaching opened in 2017 to provide an independent, professional body to support teachers in their work and development and to set standards.

The Department is providing up to £5 million over four years to help the college establish itself. In the longer term, it expects the college to be self-sufficient through membership fees and income from its activities. Membership opened in January 2017 for a current fee of £45 per year.

What to look out for: The college aims to recruit 18,000 members by April 2018 and provide them with a range of support, including training and development, opportunities to share knowledge, and access to research and good practice.

Technical education

The Department plans to introduce 'T-levels' – 15 routes into skilled employment which will replace around 13,000 technical qualifications currently available.

What to look out for: T-levels will be implemented from 2020-21, a year later than planned. Funding will increase as they are introduced, with more than £500 million of additional funding per year once the programme is fully implemented.

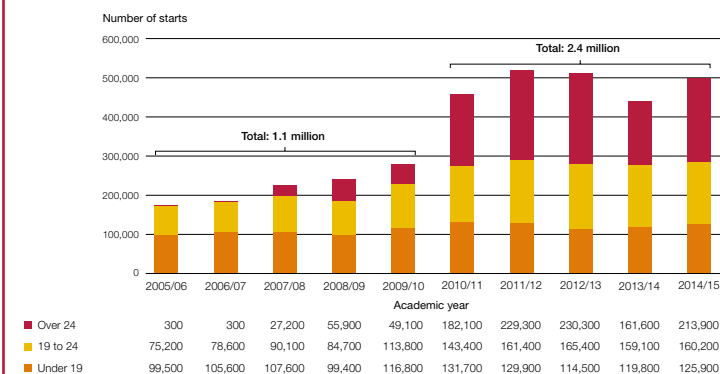
Growth of apprenticeships and the apprenticeship levy

Between 2010/11 and 2014/15 around 2.4 million new apprenticeships were started, compared with around 1.1 million in the previous five years. Most of the growth came among those aged over 24. The Department has a target for three million new apprenticeships to start between 2015 and 2020.

What to look out for: From April 2017 all employers with an annual pay bill of more than £3 million must pay a levy to fund apprenticeship training. The levy is 0.5% of their annual pay bill and is expected to raise almost £3 billion per year.

New apprenticeship starts by age, 2005/06 to 2014/15

About 2.4 million new apprenticeships started between 2010/11 and 2014/15



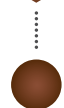
Note

1 Figures have been rounded to the nearest 100.

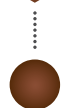
Source: National Audit Office analysis of Department for Business, Innovation & Skills and Skills Funding Agency data



Oversight and intervention



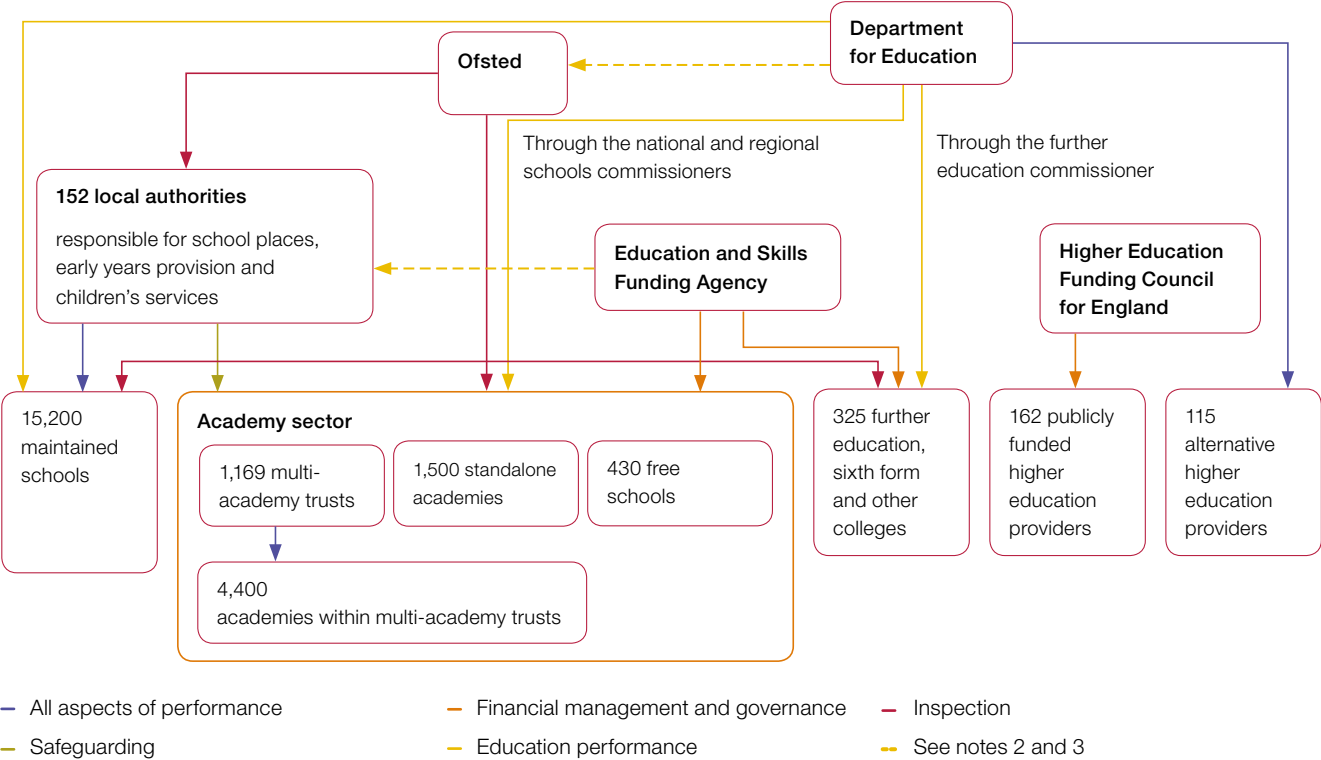
Oversight arrangements
for education and
children's services



Recent and planned
developments: what are
the things to look out for?

Oversight arrangements for education and children's services

Oversight arrangements for education and children's services



- Notes**
- This is a simplified diagram showing only the main oversight and delivery bodies in the education system.
 - The Secretary of State may, in accordance with the provision in section 8 of the Education Act 2005, formally request HM's Chief Inspector to carry out an inspection of a named school.
 - Local authorities are required by legislation to provide assurances annually to the Department for Education that they have spent grants in line with departmental intentions.
 - School numbers are as at January 2017 and rounded to the nearest 100.

Source: National Audit Office

Recent and planned developments: what are the things to look out for?

Merger of funding agencies

The Education Funding Agency and the Skills Funding Agency merged to become the Education and Skills Funding Agency in April 2017.

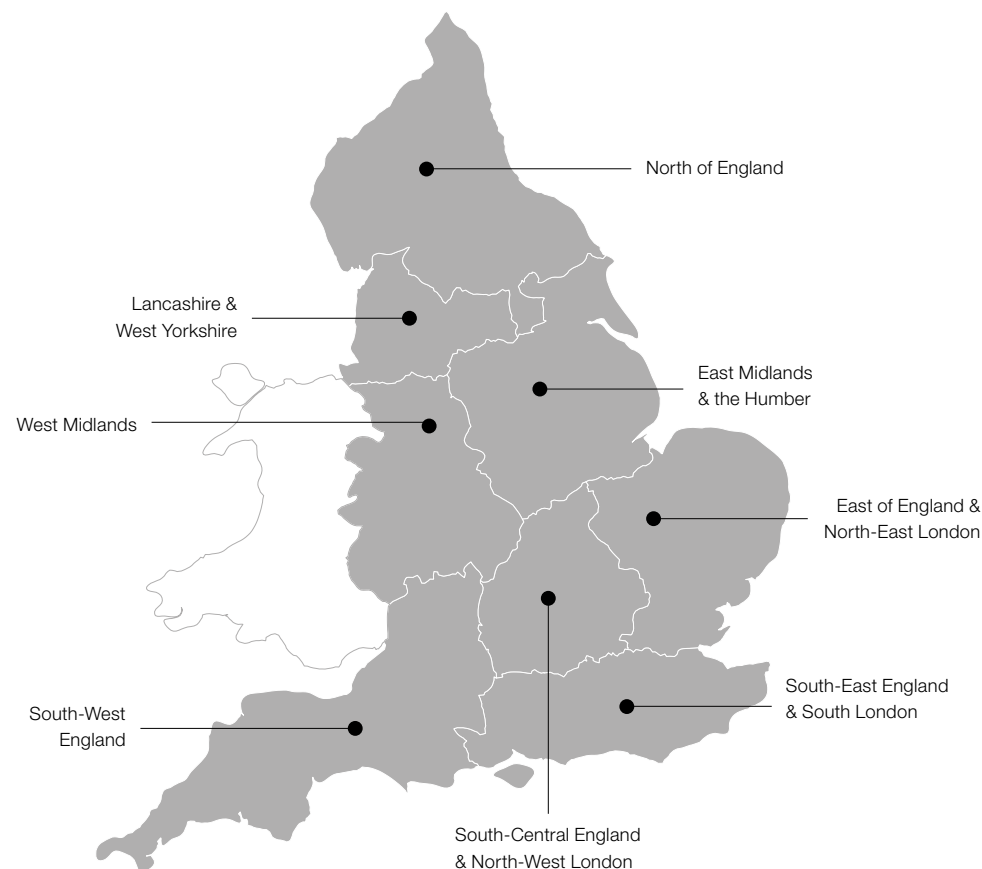
What to look out for: The NAO previously identified concerns in how the Education Funding Agency oversaw financial management and governance, including relying too often on whistleblowers. The Education and Skills Funding Agency is developing a more preventative approach to support academy trusts at risk of getting into financial difficulty. This includes a predictive tool which it intends will provide projections of up to five years to help identify academies at risk.

Regional schools commissioners

In 2014 the Department appointed eight regional schools commissioners to provide greater oversight of academies. Each regional schools commissioner is supported by a headteacher board and a team of departmental officials, and is responsible for monitoring academies' performance, deciding on the creation of new academies, advising on proposals for free schools, and improving underperforming maintained schools.

What to look out for: How the function of regional schools commissioners develops in practice and the impact they have on the school system.

Map of regional schools commissioner regions



Source: Department for Education

Recent and planned developments: what are the things to look out for? *continued*

School places

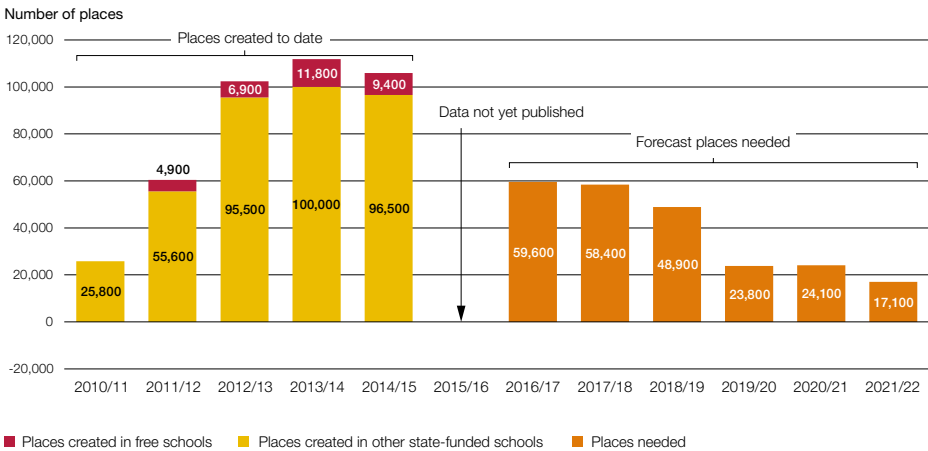
The Department predicts that a further 231,000 primary places and 189,000 secondary places will be needed between 2016 and 2021 to meet demand. Meeting this need will be difficult because primary schools have often already been expanded where this was straightforward, and it is more complicated to increase capacity in secondary schools as they require specialised facilities.

What to look out for: Local authorities have a statutory duty to provide enough school places in their areas but do not control the number of places in academies or free schools. As the number of academies and free schools grows, it will be increasingly important for the Department to work with local authorities to ensure that capacity matches demand.

New school places

Central and local government have created many new school places and will need to continue to create more in future years

Primary schools



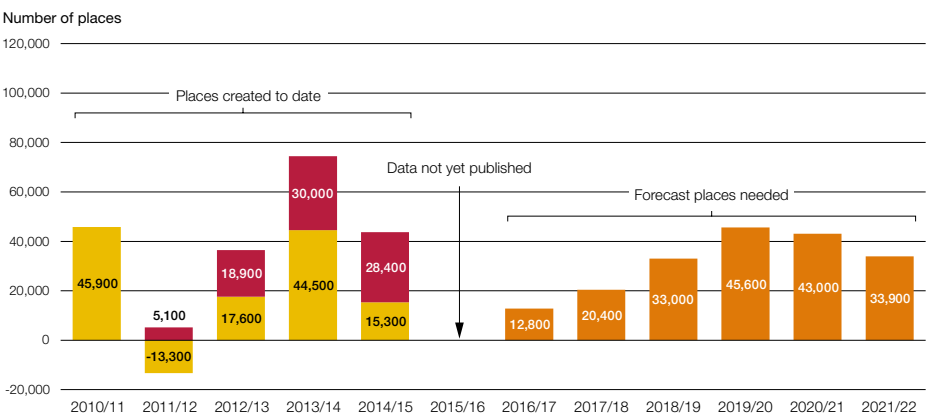
Notes

1 The number of places created is the net change in total school capacity.

2 Free school capacity is the sum of the final capacity of schools opening in each year. In reality places become available over time.

Source: National Audit Office analysis of Department for Education data

Secondary schools





Recent and planned developments: what are the things to look out for? *continued*

Intervening in academies at risk of failure

Most of the 5,758 academies open in October 2016 have never appeared on the Department's national concerns reports, which highlights academy trusts of most concern. Between November 2014 and October 2016, 472 academy trusts featured on the national concerns reports, some more than once.

Some high-profile academies have attracted significant attention. In June 2017 the Department gave Durand Academy 12 months' notice that its funding agreement would be terminated. This decision followed concerns over the governance of the academy trust and its failure to manage conflicts of interest.

What to look out for: The process of terminating Durand's funding agreement and how the Department deals with legal issues (for example, relating to the ownership of land) will need to be monitored.

Reducing capacity of local authorities

Local authorities use the Education Services Grant to provide education services and support to schools. The Department is reducing the grant and will withdraw it completely in 2018-19.

What to look out for: The capacity of local authorities to provide education services and to support and oversee maintained schools will diminish in future. The Department expects local authorities to cope with the reduction in funding by becoming more efficient.

Oversight of alternative higher education providers

In December 2014 the NAO published an investigation into the financial support for students at alternative higher education providers. The report, and subsequent Committee of Public Accounts report, underlined the risks with a rapidly expanding market, and what can go awry when public bodies lack adequate controls to regulate a new market.

What to look out for: In January 2015 the then Department for Business, Innovation & Skills announced action to secure improved standards among alternative higher education providers. These include tougher checks from the Quality Assurance Agency, and controlling the number of students allowed at providers whose performance is unsatisfactory. The NAO plans to publish a follow-up report in autumn 2017.



Appendices



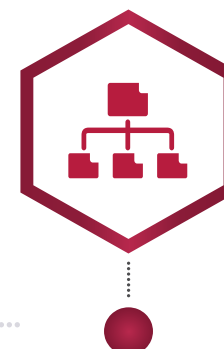
Appendix One –
Exiting the
European Union



Appendix Two –
Staff and pay
2016-17



Appendix Three –
Staff attitudes
and engagement



Appendix Four –
Other bodies in the
education sector



Appendix One – Exiting the European Union

The UK leaving the EU is likely to have a range of implications for education, including for staffing, students and research. To date the Department for Education has published information on the implications for higher education (HE) only.

In written evidence to the House of Commons Education Committee in November 2016, the Department set out the following main areas in HE that are likely to be affected when the UK leaves the EU.

Staffing

Of HE academic staff in 2015/16, 17% (33,375) were from non-UK EU countries. In its evidence, the Department acknowledged concerns about their migration status.

The government has made clear its intention to protect the status of people from other EU countries living in the UK, subject to reciprocal arrangements being agreed for UK nationals living in European countries.

Students

Of all HE students in 2015/16, 5% (98,455) were from non-UK EU countries (8% of postgraduate students and 4% of undergraduate students). In its evidence, the Department acknowledged concerns about their migration status, and access to student loan finance and home fee status.

The government has confirmed that current EU students, and those starting their courses in 2016/17 and 2017/18, will continue to be eligible for student loans and home fee status for the duration of their courses, even if the UK leaves the EU during that time.

Research

The UK received €7 billion in research funding from 2007 to 2013, making it a net recipient of EU science funding. In its evidence, the Department acknowledged concerns about continued access to EU research and the impact of limiting access to vital research collaboration.

EU staff and students in higher education providers in England



17%

of academic staff are non-UK EU nationals (2015/16)



8%

of postgraduate students are non-UK EU nationals (2015/16)



4%

of undergraduate students are non-UK EU nationals (2015/16)



20%

of EU students who study in another EU country opt to do so in the UK (2013)

Appendix Two – Staff and pay 2016-17

In 2016-17, 10,533 staff worked in the Department and its agencies and non-departmental public bodies (3,202 in the Department alone).

The percentage of women, disabled staff, and black and ethnic minority staff is lower at senior levels than in the Department as a whole.

The Department was the first government department to publish its gender pay gap in June 2017. It reported a mean pay gap of 5.3% and a median pay gap of 5.9% (compared with the UK national gender pay gap of 18.1%).

Skills shortages have limited the Department's ability to secure free school sites quickly and at the best market price. In 2016 it set up a company (LocatED) to buy and manage land for free schools. It expects the company will attract staff with the necessary skills because it will be able to pay commercial rates.

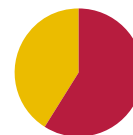
The civil service has a shortage of the digital, project delivery and commercial skills that it needs to deliver planned departmental transformation, major projects and preparations to exit the European Union. It is working to improve workforce planning and to build specialist capability through cross-government functions, but this will take time to take effect.

Notes

- 1 The Department's Agencies in 2016-17 were the Education Funding Agency, the Skills Funding Agency, the Standards and Testing Agency, and the National College for Teaching and Leadership. In April 2017 the Education Funding Agency and the Skills Funding Agency merged to become the Education and Skills Funding Agency.
- 2 A full list of non-departmental public bodies is available in Appendix Four. For 2016-17 the figures include the UK Commission for Employment and Skills, which closed in March 2017, and exclude the Institute for Apprenticeships.

Workforce in Department for Education 2016-17

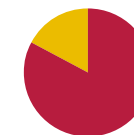
Staff gender



Disability



Ethnicity



■ Female
■ Male

59% | 55%
41% | 45%

■ Declared disabled
■ Non-disabled/non-declared

10% | 4%
90% | 96%

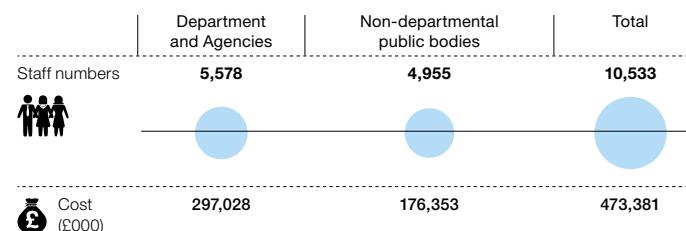
■ White
■ Black and ethnic minority

83% | 97%
17% | 3%

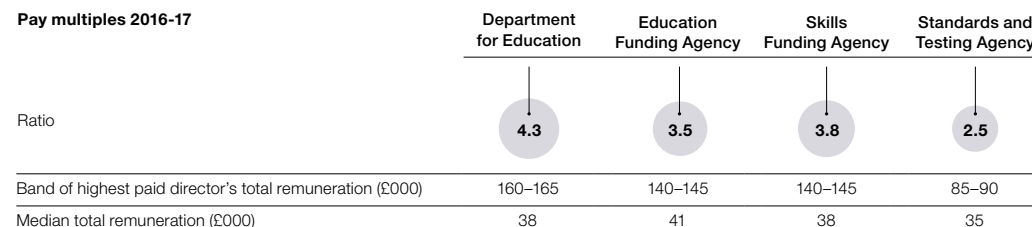
Notes

- 1 Excludes staff who joined the Department following the machinery of government changes in July 2016, such as staff from higher and further education and the Skills Funding Agency.
- 2 The Department also publishes data on workforce breakdown by sexual orientation. It does not publish data on workforce breakdown by age.

Staff breakdown 2016-17 (full-time equivalent)



Pay multiples 2016-17



Note

- 1 Figures for the National College for Teaching and Leadership were not available at the time of publishing this guide.

Sources: Department for Education Annual Report and Accounts 2016-17, Education Funding Agency Report and Accounts 2016-17, Skills Funding Agency Annual Report and Accounts 2016-17, Standards and Testing Agency Annual Report and Accounts 2016-17

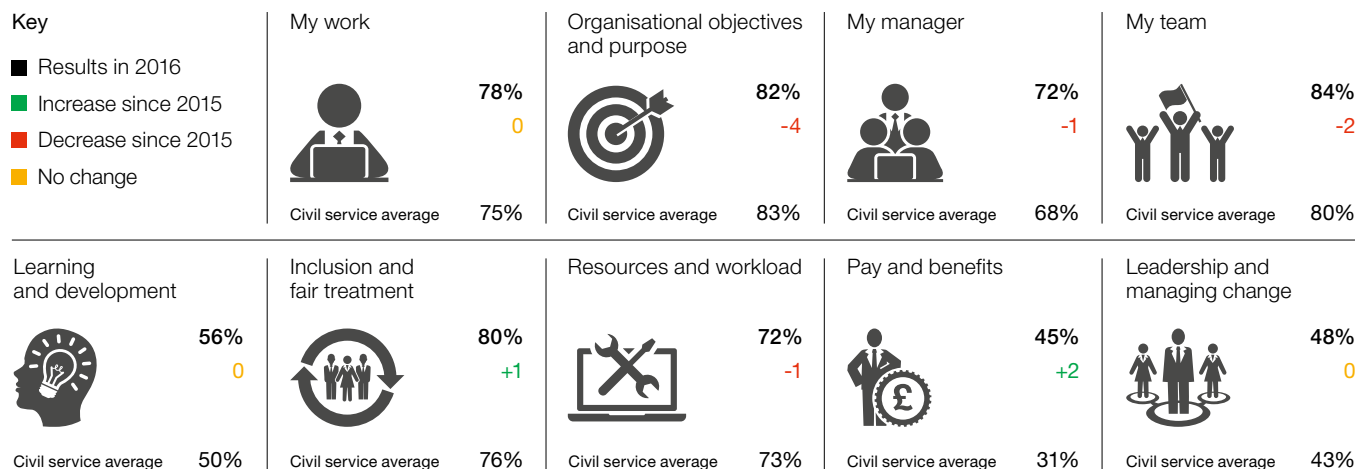
Appendix Three – Staff attitudes and engagement

The government has conducted its Civil Service People Survey annually for the past eight years. The result of the most recent survey was published in November 2016. The response rate for the Department for Education was 93%.

The Department for Education scored the same in 2016 as 2015 in three categories, higher in two categories, and lower in four categories. The Department scored higher than the civil service benchmark in most categories.

The main measure from the Civil Service People Survey is the employee engagement index, which measures an employee's emotional response to working for their organisation. The Department's score improved by 2 percentage points between 2015 and 2016, and was 3 percentage points higher than the civil service benchmark.

Attitudes of staff in 2016 compared with 2015 – Department for Education (DfE)



Engagement index 2016

-- Civil service benchmark 2016 (59%) -- Civil service benchmark 2015 (58%)



Note

- 1 Each theme constitutes a number of questions where the respondent is required to answer on a scale from "strongly agree" to "strongly disagree". The reported score is the average percentage of positive responses to questions in each theme.

Sources: Civil Service People Survey 2016 and 2015

Appendix Four – Other bodies in the education sector

Non-ministerial departments

Ofqual

Regulates qualifications, examinations and assessments in England.

Ofsted

Inspects and reports on maintained schools, academies, some independent schools, further education and skills, childcare, adoption and fostering agencies and initial teacher training, and regulates early years and children's social care services.

Executive agencies

Education and Skills Funding Agency

Provides funding for the education and training of children, young people and adults. Also funds and manages buildings and maintenance.

National College for Teaching and Leadership

Responsible for the quality of the education and early years workforce. Runs the Schools Direct programme and certifies teaching schools.

Standards and Testing Agency

Develops the curriculum and sets the tests to assess children in education from early years to the end of key stage 2.

Advisory non-departmental public bodies

School Teachers' Review Body

Reviews pay, professional duties and working time of school teachers in England and Wales.

Social Mobility Commission

Monitors and promotes social mobility. Jointly sponsored by the Department for Education, the Cabinet Office and the Department for Work & Pensions.

Executive non-departmental public bodies

Construction Industry Training Board

Works with construction companies to improve skills, increase competitive edge and respond to the many challenges employers face.

Engineering Construction Industry Training Board

Ensures there are enough trained people to meet industry needs. Gives professional advice and offers skills development and qualifications to help individuals in the sector.

Equality and Human Rights Commission

Monitors human rights and protects equality.

Higher Education Funding Council for England

Distributes public money for teaching and research to universities and colleges. Promotes high-quality education and research, within a financially healthy sector.

Institute for Apprenticeships

Ensures high-quality apprenticeship standards and advises government on funding for each standard.

LocatED

A company which is responsible for buying and developing sites for new free schools in England.

Office for Fair Access

Safeguards and promotes fair access to higher education by approving and monitoring access agreements.

Office of the Children's Commissioner

Supports the Children's Commissioner, who promotes and protects children's rights in England.

Student Loans Company

A non-profit-making government-owned company that administers loans and grants to students in universities and colleges in the UK.

Other bodies

Government Equalities Office

Responsible for equality strategy and legislation across government, working closely with the Department for Education.

Office of the Schools Adjudicator

Helps to clarify the legal position on admissions policies in schools.