
Guide to the education sector annual reports and accounts 2019-20



National Audit Office



May 2021

A summary of key information and insights that can be taken from the annual reports and accounts of the Department for Education and related bodies in the education sector in England.

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public spending watchdog**

Guide to the education sector annual reports and accounts 2019-20

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The National Audit Office (NAO) scrutinises public spending for Parliament and is independent of government and the civil service. We help Parliament hold government to account and we use our insights to help people who manage and govern public bodies improve public services. The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. We audit the financial accounts of departments and other public bodies. We also examine and report on the value for money of how public money has been spent. In 2019, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £1.1 billion.

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What this guide is about

About the National Audit Office

The National Audit Office (the NAO), headed by the Comptroller and Auditor General (the C&AG), audits the financial accounts of government departments and other public bodies, and examines and reports on the value for money of how public money has been spent. We provide assurance that public resources are accounted for accurately and used as intended. When this does not happen, we point it out. In 2019-20, the C&AG certified over 400 accounts representing some £1.7 trillion of government expenditure.

About this guide

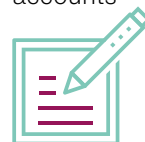
We have prepared this guide as a summary of key information and insights that can be taken from the annual reports and accounts of the Department for Education (the Department) and related bodies in the education sector in England. The Department spends nearly £70 billion each year to support the care, education and training of children, young people and adults. The guide includes:

- how the Department is structured and where it spends its money;
- how the accounts of the Department and its related bodies are consolidated (combined to show the overall financial position);
- what information is included in the published annual reports and accounts for the organisations in the Departmental Group, why this information is needed, the role of the NAO and the extent to which the different parts of the annual reports and accounts are audited;
- the C&AG's audit opinion on the Department's accounts, and what it means;
- some highlights that draw out key areas of interest in the accounts; and
- an overview of the financial implications of the COVID-19 pandemic, and future spending commitments, for the Department.

Throughout this guide, central government financial years are written as, for example, '2019-20' and run from 1 April to 31 March. Educational institutions' financial and academic years are written as, for example, '2019/20' and run from 1 September to 31 August for academies and from 1 August to 31 July for colleges and universities.

400

accounts



£1.7tn

government expenditure



£69bn

DfE spending in 2019-20



Other relevant publications

More information about our work on the education sector in England

Information about our other recent and upcoming reports on aspects of education and skills provision can be found on the [NAO website](#).

More information about central government accounting and reporting

You may also be interested in our interactive guide to [Good practice in annual reporting](#) (February 2021) which sets out good-practice principles for annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area.

Our more detailed guide, [Understanding central government's accounts – an introductory guide for those with an oversight role](#) (April 2014), recognises that departmental financial statements can sometimes be difficult to understand if readers are not familiar with the accounting and reporting requirements that apply in the central government sector. The guide is aimed particularly at those who have an oversight role in relation to central government's accounts, such as non-executive board members and audit and risk assurance committee members.

About the Department for Education

The [Department for Education](#) (the Department) is responsible for children's services and education, including early years, maintained schools and academies, further and higher education policy, apprenticeships and wider skills in England.

The Department organises its strategic responsibilities and priorities into five operational groups, one of which (the [Education and Skills Funding Agency](#)) is also an executive agency of the Department.

The Department also works with other public bodies including the [Teachers' Pension Scheme](#) and two non-ministerial government departments, [Ofsted](#) and [Ofqual](#), to achieve its objectives.

Operational groups and their responsibilities

Early years and schools group

Oversight of early years and schools, including academies; free schools and regional delivery; the curriculum; and supply and retention of teachers.

Education and Skills Funding Agency (ESFA)

Funding of schools, sixth-form and further education colleges, and oversight of how these funds are used.

Higher education and further education group

Oversight of higher education, further education and international education, including student finance and careers advice.

Social care, mobility and disadvantage group

Oversight of social care, mobility and disadvantage, including strategy for special educational needs and disabilities; and reforms to children's social care.

Operations group

Ensuring the Department is sufficiently resourced, efficient and delivering departmental objectives for the school estate.

Contributing agencies and non-departmental public bodies

Office of the Schools Adjudicator (OSA) Helps to clarify the legal position on admissions policies in schools.

School Teachers' Review Body (STRB) Reviews the pay, professional duties and working time of school teachers in England and Wales.

Standards and Testing Agency (STA) Develops and delivers assessments for children in education between reception and the end of key stage 2.

Teaching Regulation Agency (TRA) Regulates the teaching profession.

Institute for Apprenticeships & Technical Education (IFATE) Develops, approves, reviews and revises apprenticeships and technical qualifications with employers.

Construction Industry Training Board (CITB) Works with employers to develop the skills of the construction industry workforce by providing grants.

Engineering Construction Industry Training Board (ECITB) Works with employers and training providers to develop the skills of the engineering construction industry workforce by providing grants.

Office for Students (OfS) Distributes government higher education funding in England and regulates higher education providers on behalf of students.

Student Loans Company (SLC) A non-profit-making government-owned company that administers loans and grants to students in universities and colleges in the UK.

Office of the Children's Commissioner (OCC) Supports the Children's Commissioner, who promotes and protects children's rights in England.

Social Mobility Commission (SMC) Monitors and promotes social mobility (jointly sponsored by the Department for Education, the Cabinet Office and the Department for Work & Pensions).

Social Work England (SWE) Regulates social workers in England (jointly sponsored by the Department for Education and the Department of Health & Social Care).

Aggregator Vehicle PLC Raises finance for private finance agreements under the Priority Schools Building Programme.

LocatED Property Limited (LocatED) Advises on buying and developing sites in England to deliver new school places.

How the education sector's accounts are consolidated

The Department is required to prepare consolidated accounts, detailing the resources of the core Department, its agencies and its designated sponsored non-departmental public bodies. The consolidated accounts combine the financial results of these bodies. Not all entities that the Department funds or regulates are consolidated into the departmental annual report and accounts.

The departmental annual report and accounts feed into the whole of government accounts (the WGA), which show national spending for the year.

The Academy Schools Sector Annual Report and Accounts, local authorities' annual accounts, and the accounts of Ofsted and Ofqual, are consolidated separately into the WGA.

The accounts of independent education providers, including colleges and universities, are not consolidated further.

Education sector accounts

Bodies receiving funding from the Department for Education	Financial year end	Legal status	Financial reporting requirements	Consolidation of accounts
Executive agencies (ESFA, STA, TRA), non-departmental public bodies (CITB, ECITB, IFATE, LocatED, OCC, OfS, SLC, SMC, STRB, SWE) and other bodies (Aggregator Vehicle PLC, OSA) – responsible for funding and oversight of the bodies below.	31 March except ECITB and Aggregator Vehicle PLC: 31 December	Acts of Parliament set out functions, with additional legislation passed when relevant. The governing legislation is supplemented by a framework document between the body and the Department.	As set out in the body's governing legislation and accounts directions. For most, this will require compliance with HM Treasury's Financial Reporting Manual (International Financial Reporting Standards, as adapted for the public sector).	Each body's accounts are consolidated into the Departmental Group accounts, which are then consolidated into the WGA.
Academy trusts (academy schools)	31 August	Academy trusts have exempt charity status and are companies limited by guarantee, established through the Academies Act 2010.	Detailed approval and reporting requirements for each trust are set out in the Academies Financial Handbook and the Academies Accounts Direction issued by the ESFA.	The Academy Schools Sector Annual Report and Accounts (the SARA), consisting of the consolidated financial results of academy trusts, is consolidated into the WGA.
Local authorities (maintained schools, early years provision, adult education)	31 March	Numerous acts of Parliament set out functions, statutory roles and associated legal duties.	Local authorities provide funding to maintained schools – this funding is accounted for in each local authority's accounts as required by the Accounts and Audit Regulations 2015.	Each local authority's accounts feed into the WGA.
Universities	31 July	Statutory corporations with exempt charity status (independent non-public sector bodies).	Universities are regulated by the OfS, and accounts are prepared in line with the Higher Education and Research Act 2017 and the accounts direction issued by the OfS.	As independent bodies, their accounts are not consolidated further.
Further education and sixth-form colleges	31 July	Statutory corporations with exempt charity status (independent non-public sector bodies).	The Further and Higher Education Act 1992 requires colleges to prepare audited financial statements and submit them to the ESFA, but colleges remain independent.	As independent bodies, their accounts are not consolidated further.
Independent training providers	Determined by the provider	Independent companies and non-public sector bodies.	As companies, independent training providers are required to produce accounts in line with the requirements of the Companies Act 2006.	As independent bodies, their accounts are not consolidated further.

Where the Department spends its money

Department for Education Group expenditure 2019-20

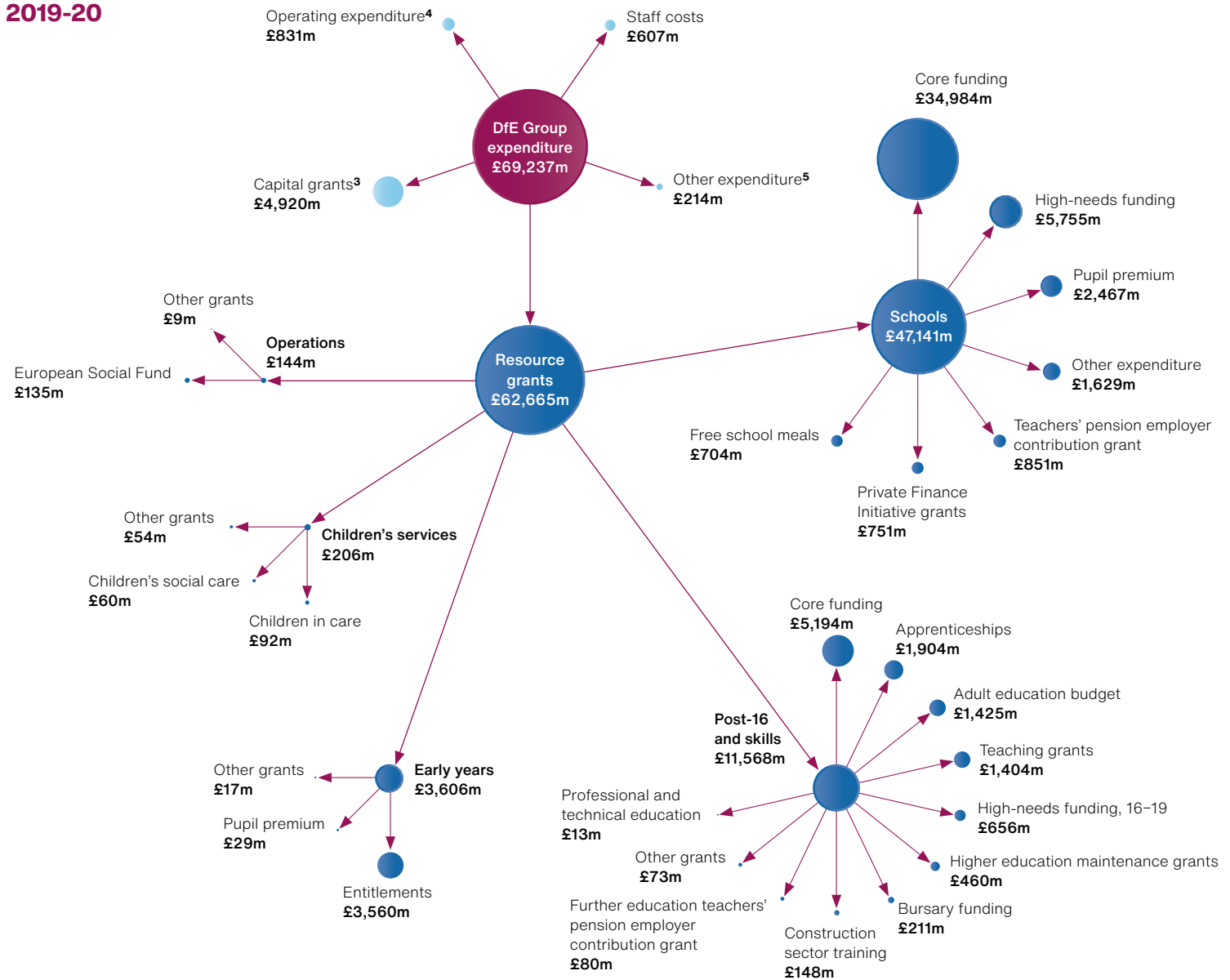
The Department for Education Group consists of the core Department, its executive agencies and its non-departmental bodies. Group expenditure totalled **£69.2 billion** in 2019-20.^{1,2}

Resource (that is, non-capital) grants constituted 91% of the Group's expenditure; £58.5 billion (93% of resource grant expenditure) was spent via the Education and Skills Funding Agency.

- Total departmental expenditure
- Central departmental expenditure
- Resource grants

Notes

- 1 In addition, the Department is responsible for the Teachers' Pension Scheme (England and Wales) (the Scheme). This falls outside the Departmental Group because it has a separate supply estimate and produces its own resource account. In 2019-20, the Scheme had a net cash requirement of £2.8 billion. The Scheme's net resource outturn was £15.6 billion.
- 2 Ofsted and Ofqual are non-ministerial departments and, because they are not part of the Department for Education Group, their expenditure is not included in the total Group expenditure. In 2019-20, Ofsted's net expenditure was £132 million and Ofqual's net expenditure was £19 million.
- 3 Capital grants include free schools (£1,355 million); school condition allocations (£1,345 million); basic needs schools grants (£948 million); the Priority Schools Building Programme (£764 million); and life skills, disadvantage and special educational needs and disabilities (£226 million). In addition, the Department's annually managed capital outturn for 2019-20 was £21 billion.
- 4 Operating expenditure includes spending such as consultancy and professional fees; information technology and telecommunications costs; building, maintenance and premises costs; and research and development costs.
- 5 Other expenditure includes depreciation and other non-cash charges.



Content of the annual report and accounts

The annual report and accounts for each organisation follows a standard structure, which is summarised in the diagram below. The diagram also shows the extent to which each part of the annual report and accounts is audited.

Section	Performance report	Accountability report					Remuneration and staff report	Parliamentary accountability and audit report	Financial statements
			Corporate governance report						
Content	Provides information on the body, its main objectives and the principal risks that it faces. It must provide a fair, balanced and understandable analysis of the body's performance.	Used to meet key accountability requirements to Parliament. It must include a corporate governance report; remuneration and staff report; and Parliamentary accountability and audit report.	Sets out the composition and organisation of the body's governance structures, and how they support the achievement of the body's objectives. As a minimum, it must include the following:	Directors' report – includes the titles and names of all ministers who had responsibility for the department during the year, the person occupying the position of the permanent head of the department, composition of the management board, and potential conflicts of interest.	Statement of accounting officer's responsibilities – required to explain the responsibilities of the accounting officer or chief executive of the body. In preparing the accounts, the accounting officer is required to comply with the requirements of the Government Financial Reporting Manual (the FReM).	Governance statement – brings together the judgements made by the accounting officer in using resources to allow them to make informed decisions about the body's progress, in light of the risks and opportunities the body is facing. It should provide a clear picture of the control structure of the body, and a sense of its vulnerabilities and resilience to challenges.	Sets out the body's remuneration policy for directors; reports on how that policy has been implemented; and discloses the amounts awarded to directors. Also includes staff numbers, cost and composition; sickness absence data; consultancy expenditure; off-payroll engagements; and exit packages.	Includes: <ul style="list-style-type: none"> • Statement of Parliamentary Supply, showing expenditure against the amounts authorised by Parliament; • other Parliamentary accountability disclosures; and • Certificate and Report of the Comptroller and Auditor General to the House of Commons. 	Includes: <ul style="list-style-type: none"> • Statement of Comprehensive Net Expenditure; • Statement of Financial Position; • Statement of Cash Flows; • Statement of Changes in Equity; and • Notes to the accounts.
To what extent is it audited?	Reviewed for consistency with information in the financial statements.	Reviewed and tested for consistency with information in the financial statements; opinion provided.	Reviewed for consistency with information in the financial statements and with the auditors' wider understanding of the body.	Reviewed for consistency with information in the financial statements and with the auditors' wider understanding of the body.	Reviewed by: <ul style="list-style-type: none"> • comparing with the requirements of the FReM; and • confirming that the disclosures match the auditors' understanding of the business. 	Reviewed for: <ul style="list-style-type: none"> • compliance with the requirements set out in <i>Managing Public Money</i>; • quality of the content in the context of risks identified during the audit process and the auditors' wider knowledge of the business; and • consistency with the findings of any relevant NAO value for money reports or other work. 	Reviewed for consistency with information in the financial statements. Key tables in the remuneration report, staff numbers and costs, and exit packages are fully tested.	Audited and subject to an audit opinion.	Audited and subject to an audit opinion.

The Comptroller and Auditor General's audit opinion

The Comptroller and Auditor General (the C&AG) provides an independent audit opinion on over 400 individual accounts across the public sector, in line with the applicable standards set out in his audit certificate. His opinion comprises two main parts:

1 A **true and fair** audit opinion on each account.

This involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.



2 An audit opinion on **regularity** on the vast majority of accounts. This involves obtaining evidence that resources have been used in the way that Parliament intended and authorised.



The C&AG's audit opinion for the Departmental Group

Opinion on the financial statements

In 2019-20, the C&AG issued an unqualified opinion stating that the consolidated financial statements of the Departmental Group provided a true and fair view and had been properly prepared in accordance with the Government Resources and Accounts Act (GRAA) 2000 and HM Treasury directions.

Opinion on regularity

The Statement of Parliamentary Supply showed that actual expenditure in 2019-20 was less than budgeted, and the totals approved by Parliament were not exceeded; income and expenditure recorded were applied to the purposes intended by Parliament; and the financial transactions recorded conformed to the authorities that governed them. See [page 9](#) for further information about regularity.

Opinion on other matters

The audited parts of the Accountability Report had been properly prepared in accordance with HM Treasury directions made under the GRAA 2000.

As part of his audit, the C&AG has a responsibility to read other information and, in doing so, to consider whether that information is materially inconsistent with the financial statements or with other knowledge obtained in the audit, or otherwise appears to be materially misstated. The C&AG reported that he had not identified any such material misstatements in the Performance Report or the Accountability Report; and that the information given in the Performance Report and the Accountability Report for the financial year 2019-20 was consistent with the financial statements.

Emphasis of matter – uncertainties inherent in the valuation of student loans

There is a high degree of inherent estimation uncertainty in the valuation of student loans because repayments are highly dependent on macroeconomic circumstances over the long term. The level of uncertainty has been exacerbated by the potential impacts of COVID-19, and significant changes in the valuation could occur as a result of subsequent information and events. This does not alter the 'true and fair' opinion but, because of the complexity and uncertainty in the valuation, the C&AG considered that it should be brought to readers' attention via an emphasis of matter.

Regularity of spending

The Department seeks to achieve its objectives largely through the work of other bodies, which it funds through grants. As set out on [page 6](#), resource grants make up more than 90% of the Group's expenditure. The Department must obtain sufficient assurance that the funding it provides is used for the intended purposes.

91%
Resource grants



Background

Managing Public Money requires the accounting officers of departments and other public bodies to report, in the governance statement in the annual report and accounts, on the extent to which the body they are accountable for has delivered robust financial management, regularity, propriety and value for money during the year. In this context:



regularity means compliance with the relevant legislation, delegated authorities and HM Treasury guidance. In support of the Comptroller and Auditor General's (the C&AG's) audit opinion on regularity (see [page 8](#)), the National Audit Office (the NAO) considers whether money has been spent in line with Parliament's intentions;



propriety means meeting relevant standards of conduct, behaviour and corporate governance; and



value for money means providing confidence about suitability, effectiveness, prudence, quality, value, and avoidance of error and other waste in the use of public money.

Regularity considerations across the Departmental Group

The regularity of grant expenditure is a significant area of focus for the Departmental Group, especially for some agencies and non-departmental public bodies such as the Education and Skills Funding Agency (the ESFA).

The ESFA has a 'provider market oversight' function that oversees the education system and undertakes a programme of work to provide assurance over funds disbursed. It reports to the ESFA's Accounting Officer through an annual statement of assurance, which in turn provides assurance to the Department about how its funding has been used. Where irregularities or errors are identified, the ESFA may take action to protect and recover funds.

In addition to random and risk-based testing to assess the overall risk in the sectors it oversees, the ESFA had 82 live investigations and allegations at 31 March 2020. The outcomes of completed investigations are published in the ESFA's annual report and accounts. The ESFA monitors and highlights fraud and irregularity risks to education providers, and also shares learning from investigations undertaken.

Regularity and audit

As part of its audits, the NAO assesses the risk of irregularity, considering the work performed by audited bodies. The findings inform the C&AG's regularity opinion.

The Department reported in 2019-20 that the impact of COVID-19, among other factors, had reduced the level of assurance it could obtain for a small proportion of its expenditure. This was not significant enough to affect the C&AG's regularity opinion.

The Department also reported that it had developed a grant assurance framework covering the Group's grant expenditure. The framework is designed to set out the minimum grant management and assurance requirements to ensure that grant expenditure is in accordance with government grant standards, *Managing Public Money* and underlying legislation.

Accounting for student loans

Student loans, issued to students to encourage participation in higher and further education, are held by the Department for Education, although they are managed day to day by the Student Loans Company. The government's student loans portfolio is by far the largest asset balance held by the Department, representing approximately 94% of the total asset value of the Departmental Group, and the portfolio continues to grow each year.

94%
of total asset value



Changes to the student loan portfolio in 2019-20

The face value of all outstanding student loans on 1 April 2019 was £116.7 billion. In 2019-20, the government issued £17.6 billion of new loans.

In its financial statements, the Department records student loans in terms of their 'fair value', which is an estimate based on expected future repayments by borrowers. The terms of student loans include writing off loans after a fixed period, which means that the fair value is lower than the face value of the outstanding loans. The fair value of student loans increased from £67.9 billion in 2018-19 to £69.2 billion in 2019-20.

In 2013, the government decided to sell a portion of the student loans issued before 2012. In December 2017, it completed its first sale of loans to private investors. In March 2020, the government announced that it would not pursue any further student loan sales. No sales took place during the financial year ending 31 March 2020, and none are expected for the foreseeable future, as a result of this announcement.

£18bn
new loans issued

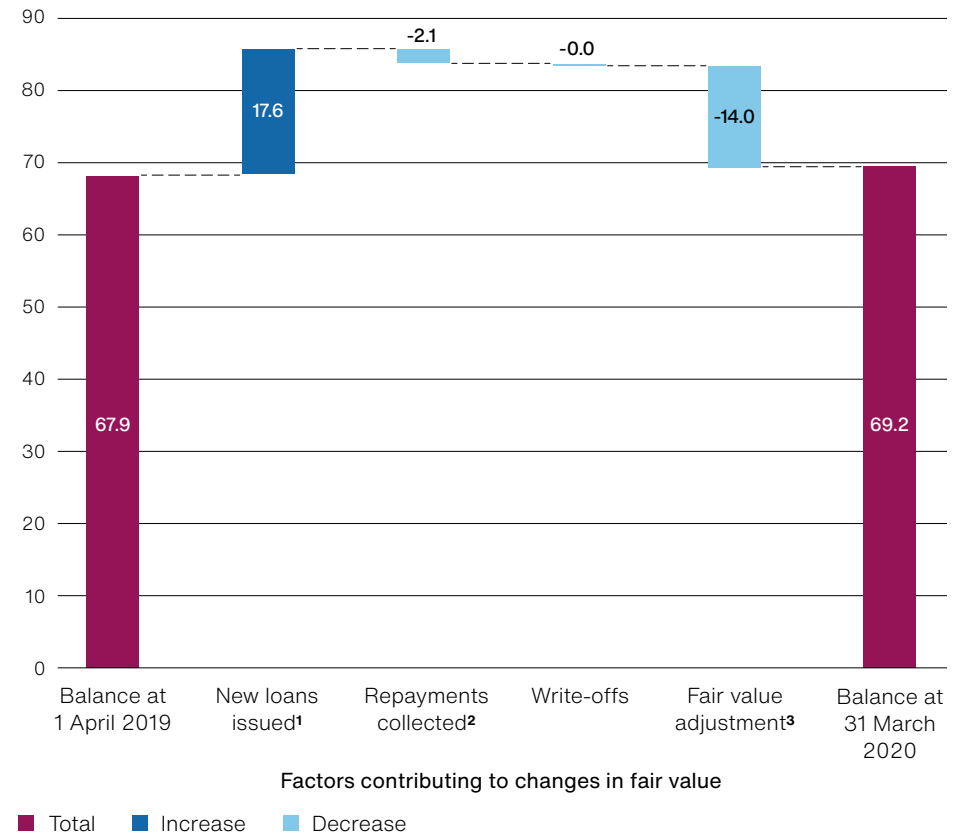


£69bn
fair value



Change in the fair value of student loans in 2019-20

Fair value (£bn)



Notes

- 1 New loans are issued to students by the Student Loans Company.
- 2 Repayments are collected from students by HM Revenue & Customs (through PAYE and self-assessment) and by the Student Loans Company (direct repayments).
- 3 The fair value adjustment aligns the student loans balance with the fair value, which is estimated as at 31 March each year, effectively acting as a balancing figure.
- 4 The expected future repayments that form the fair value balance include the accrued interest expected to be repaid.

Source: National Audit Office analysis of Department for Education data

Financial position of academy trusts

Academies are independent state schools directly funded by the Department via the ESFA.

In the year ending 31 August 2019, the academies sector spent £30.8 billion, an increase of 19.8% compared with the £25.7 billion spent in 2017/18.

£31bn
academy spend



Each academy school is part of an academy trust, a charitable company. At the end of 2018/19, 82% of all academies were in a trust with more than one academy, referred to as a multi-academy trust.

Financial stability of the academies sector

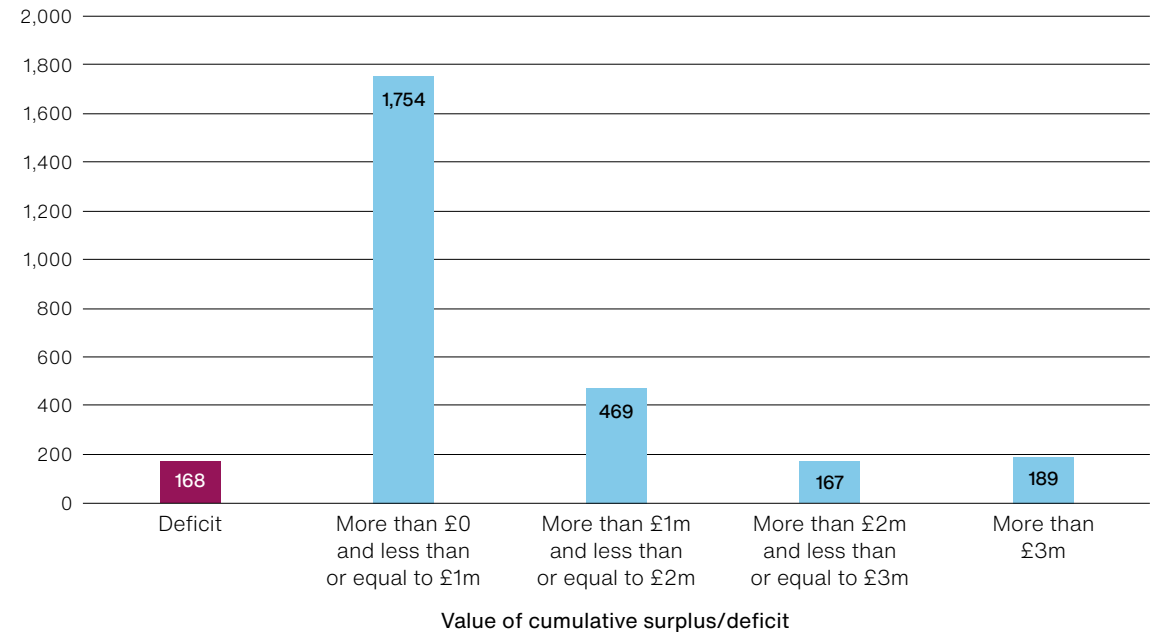
The consolidated accounts of the academies sector show a surplus of £0.5 billion for 2018/19, compared with a surplus of £3.0 billion for 2017/18. Reported expenditure increased, largely due to changes in the valuation of the academy estate arising from changes in market prices, particularly for land, and adoption of a revised method for valuing the academy estate.

While the consolidated accounts show a net surplus for 2018/19, there were 168 academy trusts with a cumulative deficit, representing 6.1% of academy trusts, compared with 6.4% in 2017/18. Around two-thirds of these were academy trusts with only one academy school. The ESFA requires any academy trust with a cumulative deficit to agree a recovery plan.

The accounts recognise the consolidated pension deficit relating to the Local Government Pension Scheme, for non-teaching staff, with a net liability of £11.1 billion reported at year-end.

Number of academy trusts by size of cumulative revenue surplus/deficit at 31 August 2019

Number of academy trusts



■ Cumulative revenue deficit ■ Cumulative revenue surplus

Source: Department for Education, *Academy Schools Sector in England: Consolidated Annual Report and Accounts for the year ended 31 August 2019*, July 2020



Expansion of the academies sector

The number of academy schools being set up, or converting from local authority maintained schools, continues to grow. During 2018/19, the number of academies increased by 10.2%, from 7,920 at 31 July 2018 to 8,728 at 31 July 2019 (approximately 40% of all schools in England). The number of academy trusts decreased slightly during the same period, indicating that more academies are joining existing multi-academy trusts.



During 2018/19, the number of pupils being educated in academies increased by 12.6%. More than half of all pupils in England attended academy schools.

Academy Schools Sector Annual Report and Accounts

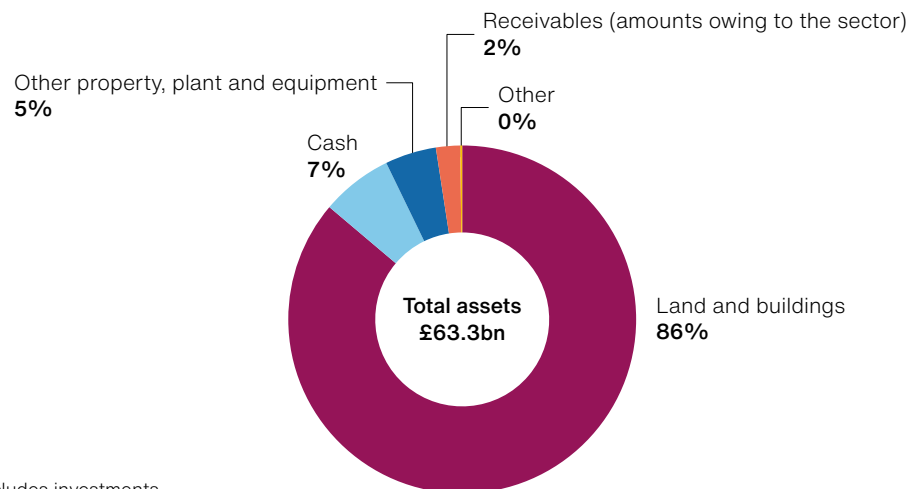
The annual accounts of all academy trusts are consolidated into the Academy Schools Sector Annual Report and Accounts (the SARA). This is separate from the annual report and accounts of the Departmental Group, but is included in the whole of government accounts. The SARA for 2018/19 was published in July 2020.

2018/19 key financial data

Academy trusts' main source of income is provided by the Department through the general annual grant. This accounted for 68% of the academy sector's total operating income, with grants in total forming 90% of income. Staff costs form the bulk of academy trusts' expenditure, accounting for 66% of the sector's total operating expenditure.

At 31 August 2019, the academy sector had total assets valued at £63.3 billion. Academy schools' land and buildings, valued at £54.6 billion, dominated the financial statements.

Academy sector assets, as at 31 August 2019



Note

1 'Other' includes investments, inventories and intangible assets.

Source: Department for Education, *Academy Schools Sector in England: Consolidated Annual Report and Accounts for the year ended 31 August 2019*, July 2020

Regularity, related-party transactions and executive salaries

Academies require approval from the ESFA for certain areas of spending or activity, as set out in the *Academies Financial Handbook*.

Following concerns that the rules around related-party transactions (transactions with people or organisations with control or significant influence over the academy trust or members of the same group of companies) were too weak to prevent abuse, the ESFA strengthened the rules from April 2019. Academy trusts must now seek approval from the ESFA before entering into a related-party transaction exceeding £20,000. The requirement for such transactions to be 'at cost' when they exceed £2,500 also remains. The amount that academy trusts paid to related parties fell from £106 million (2,390 transactions) in 2017/18 to £93 million (2,209 transactions) in 2018/19.

The ESFA also challenges academy trusts that are paying salaries of £150,000 or more, or two or more salaries of more than £100,000, requesting the rationale for the levels of pay. During 2018/19, 325 academy trusts (11%) paid some individual members of staff in excess of £150,000, and 1,387 academy trusts (48%) paid salaries of between £100,000 and £150,000. Comparative data are not available for 2017/18, because figures reported in 2018/19 include employer pension contributions and those for 2017/18 did not.

Independent auditors appointed by each academy trust are required to provide a 'true and fair' opinion and an opinion on regularity. In 2018/19, independent auditors reported regularity exceptions (meaning that the auditors found some element of income or expenditure that may have been outside permitted use, or where the academy trust's own procedures were not followed) for 202 academy trusts (7%). This did not have an impact on the audit opinion for the sector.

Financial sustainability of education providers

In order for the Department to achieve its objectives, it is important that schools, colleges and other education providers are financially sustainable.

Different types of education providers have their own legal status and financial reporting requirements. There is no single overall account that collates the financial performance of providers to give an overall picture of the financial sustainability of the education system. As a consolidation of academies, the Academy Schools Sector Annual Report and Accounts (the SARA) provides the most comprehensive picture of financial sustainability but it is limited to academy trusts. The ESFA provides loans to academy trusts and colleges, which can be used as one indicator of the financial position of these bodies. While this information covers a wider range of providers than the SARA, it does not include, for example, local authority maintained schools or higher education providers such as universities.

ESFA loans to academies and colleges

The ESFA's accounts for 2019-20 show the following:

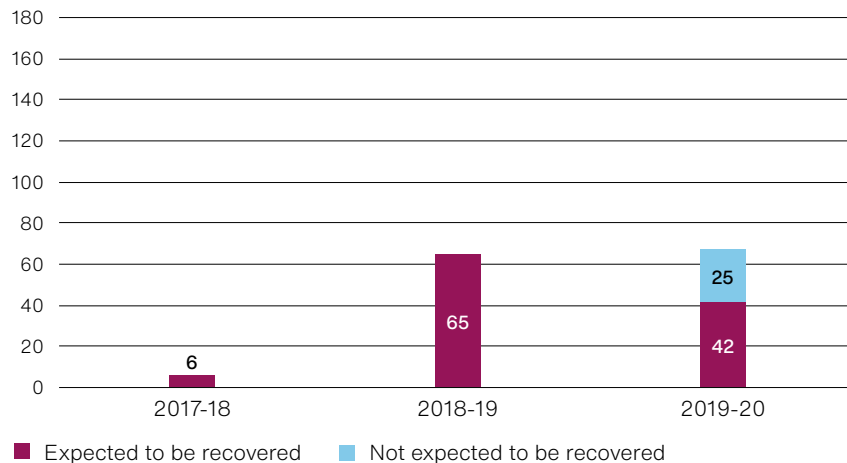
- Gross outstanding loans to academy trusts of £67 million at 31 March 2020 – the ESFA expects to recover £42 million (64%) of this amount. The average loan value was £15,000.
- Gross outstanding loans to post-16 institutions (further education and sixth-form colleges) of £158 million at 31 March 2020 – the ESFA expects to recover £125 million (79%) of this amount. The ESFA has loaned an increasing amount to colleges over the past three years. The average loan value in 2019-20 was £502,000.

Relevant NAO work

Our September 2020 report on the [Financial sustainability of colleges in England](#) found that the financial health of the college sector remains fragile, with 34% of colleges reporting an operating deficit in 2018/19. Ofsted inspection ratings suggest that colleges are generally maintaining educational quality, but other evidence shows that financial pressures are affecting wider aspects of provision such as the breadth of the curriculum and levels of student support. At February 2020, government was intervening in nearly half of colleges for financial health reasons. Some colleges remain in intervention for a long time – for example, at February 2020, seven colleges had been in formal intervention for five years or longer – and 75 colleges had been in and out of early intervention more than once.

Outstanding ESFA loans to academies, 2017-18 to 2019-20

Loan value (£m)



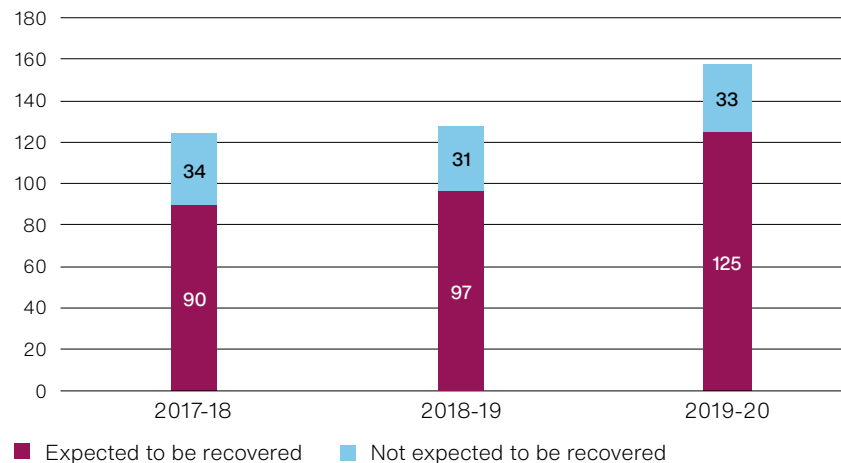
Note

1 Loan amounts are in cash terms.

Source: Education and Skills Funding Agency annual reports and accounts for the years ending 31 March 2019 and 31 March 2020

Outstanding ESFA loans to colleges, 2017-18 to 2019-20

Loan value (£m)



Note

1 Loan amounts are in cash terms.

Source: Education and Skills Funding Agency annual reports and accounts for the years ending 31 March 2019 and 31 March 2020

Financial impacts of the COVID-19 pandemic

The COVID-19 pandemic has had a major impact on the Department's activities and finances. The information on this page summarises some of the most significant financial impacts.

Continued funding commitments

Throughout the pandemic, the Department continued to fund schools, colleges, universities and the other bodies it supports in the usual way.



For **early years providers**, the Department continued to pay for children aged two to four who were entitled to free early education and childcare places. The Department is continuing to provide the £3.6 billion funding already planned in 2020-21.



For **school-age children**, the Department continued to fund schools using the national funding formula. This funding included, for example, amounts for provision of free school meals, in recognition that many schools may have had ongoing contractual commitments with their caterers, even during periods of lockdown when they were closed to most pupils.



For **further education**, the Department continued to fund the provision and uptake of learning as well as support for the sector including, where possible, the continuation of apprenticeships.

Additional costs and financial impacts of the COVID-19 pandemic

The pandemic had limited direct financial impact on the Department during 2019-20, but the financial commitments the Department had made were recorded in its 2019-20 annual report and accounts. The actual expenditure incurred will be recognised in the 2020-21 financial statements.



Major additional costs reported in the Department's 2019-20 annual report and accounts include:

£2.5 billion

reduction in the fair value of student loans in 2019-20.

£1 billion

funding for a catch-up learning programme, including the National Tutoring Programme, for the 2020/21 and 2021/22 academic years.

£380 million

value of free school meal vouchers provided to eligible pupils between March and the end of the school summer holiday in August 2020; the Department provided additional free school meal support in early 2021.

£160 million plus

funding to support remote education and access to online social care services, including provision of laptops and internet access for home-based learning in 2020-21.

£2.6 billion

of tuition fees for universities brought forward to the autumn 2020 term, to help with cash flow and to manage financial risks.

In addition, the Department set up a fund to reimburse schools for exceptional costs incurred as a result of COVID-19. These included additional cleaning costs due to COVID-19 outbreaks, costs of opening premises during school holidays, and costs of providing free school meals before the start of the national voucher scheme or where schools had made local arrangements to support eligible children.

The NAO's work on the Department's response to COVID-19

[Investigation into the free school meals voucher scheme](#), December 2020.

[Support for children's education during the early stages of the COVID-19 pandemic](#), March 2021.

[COVID-19 cost tracker](#), last updated January 2021.

Future spending commitments

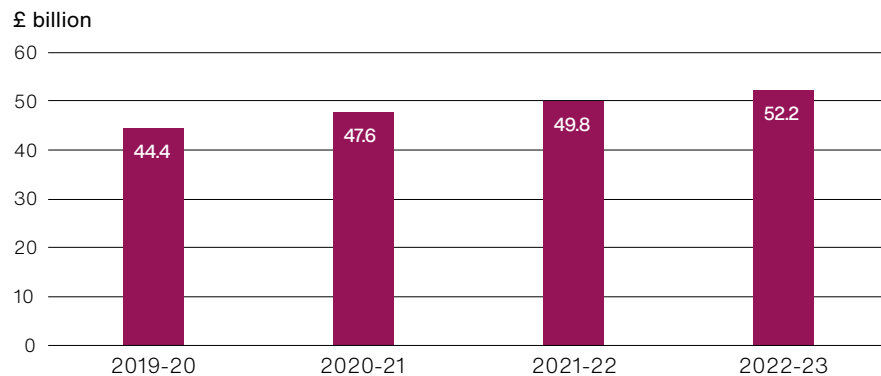
The government has announced – in the Budget 2020, spending reviews and ministerial announcements – increases in the amount of money to be spent on education over the coming years. Some of the largest commitments are summarised here.

Schools

The government has said that it will increase the total budget for schools each year from 2020-21 so that, by 2022-23, the budget will be £52.2 billion. The increase includes an additional £7.1 billion of core funding compared to 2019-20. HM Treasury has so far announced annual increases of £2.6 billion in 2020-21 and £2.2 billion in 2021-22.

The government has also announced increases in minimum per-pupil funding for 2020-21, from £3,500 to £3,750 for primary schools and from £4,800 to £5,000 for secondary schools. These rates are planned to rise to £4,000 for primary schools and £5,150 for secondary schools in 2021-22.

Annual schools budget, 2019-20 to 2022-23



Notes

- In addition to the increase in core funding, the government provided extra funding to compensate schools for the increased cost of employer pension contributions.
- Values are in cash terms and do not account for inflation.

Source: HM Treasury, *Spending Round 2019*, CP 170, September 2019

Further education and skills

The government committed an extra £400 million for further education in 2020-21, including £190 million to increase core funding for 16- to 19-year-olds. It announced an additional £291 million for 2021-22, to ensure that this core funding is maintained in real terms per learner.



Other commitments include:

£95 million

in 2020-21 and £162 million in 2021-22 for the roll-out of T levels.

£120 million

in 2020-21 and £72 million in 2021-22 for new Institutes of Technology.

£2.5 billion

for apprenticeships in 2021-22.

£138 million

in 2021-22 to deliver the government's ambition of a free, fully-funded college course for adults without an A level or equivalent qualification, and the skills bootcamp programme.

Special educational needs and disabilities (SEND)

The increase in the total schools budget for 2020-21 included £780 million to help support children with SEND.

A further £300 million was allocated in 2021-22 for new school places for children with SEND.

Early years

The government announced an extra £66 million in 2020-21, and a further £44 million in 2021-22, to increase the hourly rate paid to childcare providers through the Department's entitlements to free early education and childcare.

Capital funding

The government has announced investment in the school estate, including:

- A 10-year rebuilding programme for schools and colleges, with over £1 billion to fund the first 50 projects in 2020-21, and construction on the first sites beginning from September 2021.
- £1.8 billion in 2021-22 to maintain and improve the condition of school buildings.
- £560 million and £200 million for repairs and upgrades to schools and colleges respectively in 2020-21. The £200 million for colleges brought forward part of the £1.5 billion that had already been announced to improve the college estate over five years.

Independent inspection and regulation

There are a number of inspection and regulatory bodies that oversee the education and care system in England. Information about the key independent bodies is set out below.



Ofsted

- Ofsted's role is to inspect services providing education and skills for learners of all ages, and to inspect and regulate services that care for children and young people. It aims to ensure that education providers, childcare services and training facilities meet expected standards.
- Her Majesty's Chief Inspector is appointed by the Crown.
- Ofsted is a non-ministerial department, funded directly by Parliament.
- Ofsted's total expenditure in 2019-20 was £159.5 million, and it generated £27.5 million of income from fees.
- Ofsted completed around 19,600 inspections in 2019-20, including 10,600 visits to early years settings, 5,000 to schools, 3,200 to social care and 700 to further education and skills providers.

Ofqual

- Ofqual's role is to regulate examinations and qualifications, including those bodies which issue qualifications ('awarding bodies'). It carries out this function largely through setting guidance, monitoring programmes and carrying out technical evaluations.
- The Chief Regulator is appointed by the Queen-in-Council, on the advice of the Secretary of State for Education.
- Ofqual is a non-ministerial department, funded directly by Parliament.
- Ofqual's total expenditure in 2019-20 was £19.3 million.
- Ofqual regulated 161 awarding bodies and nearly 15,000 qualifications in 2019-20. It oversaw standards for 6.1 million GCSEs, A levels and AS levels awarded to 1.3 million students in the 2018/19 academic year.

Office of the Children's Commissioner

- The Children's Commissioner's role is to provide advice, assistance and representation on behalf of children and young people. The role is independent of government and answerable to Parliament. The Children's Commissioner is not a regulator, but is an advocate with data-gathering powers and legal powers of entry, where children are living away from home, to talk to children and gain evidence.
- The Children's Commissioner is appointed by the Secretary of State for Education.
- The Office of the Children's Commissioner (the OCC) is an executive non-departmental public body, sponsored by the Department.
- The OCC's total expenditure in 2019-20 was £2.6 million.

Office for Students

- The Office for Students (the OfS) is the independent regulator of higher education. It works with higher education providers to deliver positive outcomes for students, taking action where this is not the case. All universities and colleges are required to be registered with the OfS if they wish to access public funding and if their students are to have access to government-backed student loans.
- The Chief Executive of the OfS is appointed by the Secretary of State for Education.
- The OfS is an executive non-departmental public body, sponsored by the Department. It is predominantly funded by provider registration fees.
- The OfS's total expenditure in 2019-20 was £1.48 billion, of which £1.45 billion was paid in grants to higher education providers, and it generated £17.5 million of income from registration fees.
- At 31 March 2020, 394 higher education providers were registered with the OfS.

Links to the annual reports and accounts

Web links to individual bodies' annual reports and accounts, together with publication dates, are listed below:



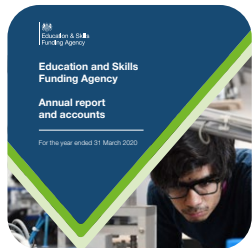
[Department for Education Consolidated Annual Report and Accounts 2019-20](#)

November 2020



[Ofsted Annual Report and Accounts 2019-20](#)

July 2020



[Education and Skills Funding Agency Annual Report and Accounts 2019-20](#)

July 2020



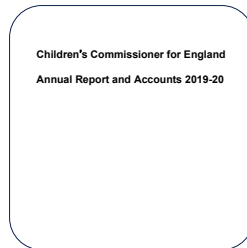
[Ofqual Annual Report and Accounts 2019-20](#)

July 2020



[Academy Schools Sector Annual Report and Accounts 2018/19](#)

July 2020



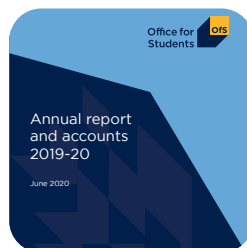
[Children's Commissioner for England Annual Report and Accounts 2019-20](#)

July 2020



[Student Loans Company Annual Report and Accounts 2019-20](#)

December 2020



[Office for Students Annual Report and Accounts 2019-20](#)

June 2020