



Department
for Education

Department for Education

Consolidated annual report and accounts

For the year ended 31 March 2025





Department
for Education

Department for Education

Consolidated annual report and accounts

For the year ended 31 March 2025

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

Ordered by the House of Commons to be printed on 17 July 2025

HC 1129

This is part of a series of departmental publications which, along with the Main Estimates 2025-26 and the document Public Expenditure: Statistical Analyses 2025, present the government's outturn for 2024-25 and planned expenditure for 2025-26.



© Crown copyright 2025

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3/.

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

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

Any enquiries regarding this publication should be sent to us at Department for Education, Sanctuary Buildings, Great Smith Street, London, SW1P 3BT.

ISBN: 978-1-5286-5660-3

E03343981 07/25

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd on behalf of the Controller of His Majesty's Stationery Office

Contents

| | |
|---|------------|
| Performance Report | 2 |
| Forewords | 4 |
| Overview | 8 |
| Structure of the Departmental Group | 24 |
| Financial review of the year | 29 |
| Performance analysis | 46 |
| Accountability Report | 88 |
| Corporate governance report | 91 |
| Remuneration and staff report | 131 |
| Parliamentary accountability and audit report | 159 |
| Financial Statements | 198 |
| Consolidated Statement of Comprehensive Net Expenditure | 200 |
| Consolidated Statement of Financial Position | 201 |
| Consolidated Statement of Cash Flows | 202 |
| Consolidated Statement of Changes in Taxpayers' Equity | 204 |
| Department and Agencies Statement of Changes in Taxpayers' Equity | 205 |
| Notes to the Accounts | 206 |
| Annexes | 272 |
| Annex A – Additional performance reporting | 274 |
| Annex B – Sustainability reporting | 291 |
| Annex C – Student loans | 303 |
| Annex D – Regulatory reporting | 315 |
| Annex E – Analysed performance reporting | 322 |
| Annex F – List of abbreviations | 323 |



The image shows a blurred background of children in a classroom. In the foreground, a hand is holding a xylophone with red bars and silver mallets. A large, dark blue graphic shape with a light blue border is overlaid on the right side of the image, containing the text 'Performance Report' in white.

Performance Report

Forewords

Secretary of State's foreword



It is a privilege to present this year's annual report and accounts.

This has been a year of change for the Department. Together with my ministerial team, I joined as Secretary of State back in early July last year. I said on that first sunny afternoon that it was the proudest day of my life, because I knew that this department has the power – and the responsibility – to improve the lives of millions of people.

Since that day we've got on with our mission to break down the barriers to opportunity across the country. The focus has firmly been on delivery, on making a difference – for children, for parents and for every learner in the land.

That starts in the earliest years of life. Giving every child the best start in life is my number one priority. That's where I know we can have the biggest impact on life chances. So I'm delighted that this year we've made big strides towards that goal. We've begun rolling out our school-based nurseries, we've delivered the largest ever uplift in the early years pupil premium and we've started our free breakfast club programme, funding 750 early adopter schools to test and learn ahead of national rollout.

We're driving high and rising standards across all our schools so all our children can achieve and thrive. To get stuck schools moving forward we've introduced brand new regional improvement for standards and excellence (RISE) teams. These teams, made up of top experts, are now expanding into more than 200 schools to reach over 120,000 children. We're also working to boost inclusion. In March 2025, I announced £740 million of investment to create 10,000 new places for pupils with special educational needs.

Our action spreads beyond schools too. We've launched Skills England to bring together the fractured skills landscape and boost the nation's skills. New changes to apprenticeships will mean that every year up to 10,000 more apprentices can qualify and move into well-paid careers. For our universities, we've taken important decisions to put them on a firmer financial footing, so that they can continue to deliver excellence for generations to come.

We've worked closely with other departments this year too because that's central to mission-based government. In particular, we've forged ahead with the Child Poverty Taskforce, which I co-chair with the Secretary of State for Work and Pensions. We've been listening to people with lived experience and gathering the views of experts, the private sector and civil society, as we have developed our long-term Child Poverty Strategy.

I'm so proud of what we've done so far to lift the life chances of this country's children and young people. The achievements contained in the pages of this report really matter. They play out in classrooms, nurseries, children's homes and lecture halls across the country.

So I want to say a huge thank you to the entire Department for all their hard work, passion and expertise – and for making me feel so welcome right from that first day. I'd also like to thank my fantastic ministerial team for their hard work and support over the last year.

But I know that this Department achieves nothing without our wonderful workforces – our teachers, our support staff, our children's social workers, our early educators, our lecturers, our leaders and every last person connected to this Department's mission. So I want to thank them too – for all they do, day in, day out, to make such a difference in the lives of so many. I am truly grateful.

Rt Hon Bridget Phillipson MP
Secretary of State

11 July 2025

Permanent Secretary's foreword



Over the last year we have acted decisively to deliver better life chances for all. I would like to thank our schools, colleges, nurseries and social work teams, employers up and down the country, as well as colleagues in the Department and across government for their dedication in rising to meet the challenge with us.

Economic growth is the number one mission of this government. We play a central role across this mission, co-leading the people pillar (see [Our vision](#) for more information on our missions and the associated pillars). Our programmes are critical for this mission, including driving essential skills solutions in close partnership with Skills England, as well as through childcare reform and entitlements that influence the labour market. Other work such as our pipeline of construction projects across the education estate, bring improvements to education and create growth across the country.

The Department has lead responsibility for the Opportunity Mission, which reflects our key values of delivering better life chances for all and breaking the link between background and success.

In October we confirmed that our priority, as set out in the [Plan for Change](#),¹ is to achieve 75% of five-year-olds reaching a good level of development in the early years foundation stage assessment by 2028, and I am proud that delivery is well underway. We are on track to deliver the childcare entitlement rollout, with 480,000 active users of the working parent entitlement offer in May 2025. We have started the delivery process for new and expanded school-based nurseries and delivered the largest ever uplift in early years pupil premium, increasing rates by over 45%, to make sure the most disadvantaged children are accessing the high-quality early years education they need.

To set every child up to achieve and thrive, we have established RISE teams and are expanding from an initial 32 schools to more than 200 schools, reaching over 120,000 pupils. We've also started work on the universal RISE support that will give every school access to best practice on key areas like attendance. Pupils attended schools over three million more days this autumn and spring compared to last year – a really encouraging sign of progress. It is vital that we keep building on this to tackle the stubborn rise in absences since the pandemic and help every child to thrive in school. More widely, we have launched an independent, expert-led curriculum and assessment review, and committed to new Ofsted report cards, providing a more detailed picture of school performance in the future. We've started our free breakfast club programme, funding 750 early adopter schools to test and learn ahead of a national rollout.

1 <https://www.gov.uk/missions>

To create skills for opportunity and growth, we have established Skills England, announced the growth and skills levy and secured £40 million for shorter duration and foundation apprenticeships in key sectors. We have also announced £600 million worth of investment to train up to 60,000 learners in the construction industry and, as announced in the Get Britain Working White Paper, we have secured investment in eight youth guarantee trailblazers. Meanwhile, we've seen apprenticeships completion rates markedly improve.

To improve family security, we have launched the Child Poverty Taskforce, chaired jointly by our Secretary of State and the Secretary of State for Work and Pensions, a great example of how we're working in partnership across government to progress towards common goals. We're also delivering children's social care reform – including through key measures in the Children's Wellbeing and Schools Bill, such as a single unique identifier to stop vulnerable children falling through the cracks in services.

Underpinning all of this we are working to ensure that the Department continues to evolve and become an ever more productive, agile and innovative department, so we can focus our effort and resources on what matters – giving children and learners the best life chances. Over the past year, we have reduced the size of the Department whilst simultaneously increasing employee engagement. We have simplified systems and processes and invested in learning and development. As part of this, our support for our own apprentices – who make up more than 5% of our workforce – has won us Investors in People's 'We invest in apprentices' Platinum accreditation, Gold membership to 'The 5% Club' and made us a Top 100 apprentice employer.

As I look to the year ahead, I look forward to working with colleagues to progress the vital work of all the missions and deliver on the Plan for Change. I recognise the challenging fiscal environment we are operating in, which puts a premium on us thinking hard about how we deliver the best possible outcomes for what's being invested in education, skills and care. I welcome the opportunity to explore ways to enhance our effectiveness and efficiency, placing greater emphasis on innovation and technology to transform the way we work across the system. This includes leveraging data and digital tools, such as AI, to improve outcomes both inside the Department and across the whole system. I am also enduringly grateful for the passion, commitment, innovation and dedication of colleagues across the Department, who make me proud every day.

Susan Acland-Hood
Permanent Secretary

11 July 2025

Overview

This section provides an overview of the Department for Education's (the Department's) responsibilities for 2024-25, including our strategic outcomes, key risks, the sectors we serve and our performance against agreed targets.

Throughout this annual report and accounts (ARA) we use the following terminology:

- Department, to mean the core department
- Agencies, to mean our executive agencies, either individually or collectively
- Non-departmental Public Bodies (NDPBs), to mean our non-departmental public bodies, whether individually or collectively
- Group, to mean the single economic unit comprising the Department, Agencies and NDPBs, which is the focus of this ARA
- the Department's financial years to 31 March are written as '2024-25', whereas academic years are written as '2024/25', ending on 31 July (colleges) or 31 August (academy trusts)

Our operating model

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

We work in partnership with:

- childcare providers
- local authorities, dioceses, academy trusts, further and higher education providers and children's services organisations
- professionals in the education, children's services and health service sectors
- Ofsted and Ofqual

How we are structured

The Department for Education is a ministerial department supported by a number of executive agencies and NDPBs which make up the financial reporting group reported on in this ARA. The non-ministerial departments we work with are excluded from this ARA, and Figure 1, because they are not part of the Departmental Group.

The Department's strategic responsibilities and priorities are divided into six operational units each led by a director general. Each of the Department's Agencies or NDPBs report their performance through one of these operational units as shown in Figure 1. More information on our operational units and constituent bodies (including their shortened names used in the figure) can be found in the [Structure of the Departmental Group](#) section.

Figure 1: The Group's organisational structure, matching Group bodies to the operational units through which they report

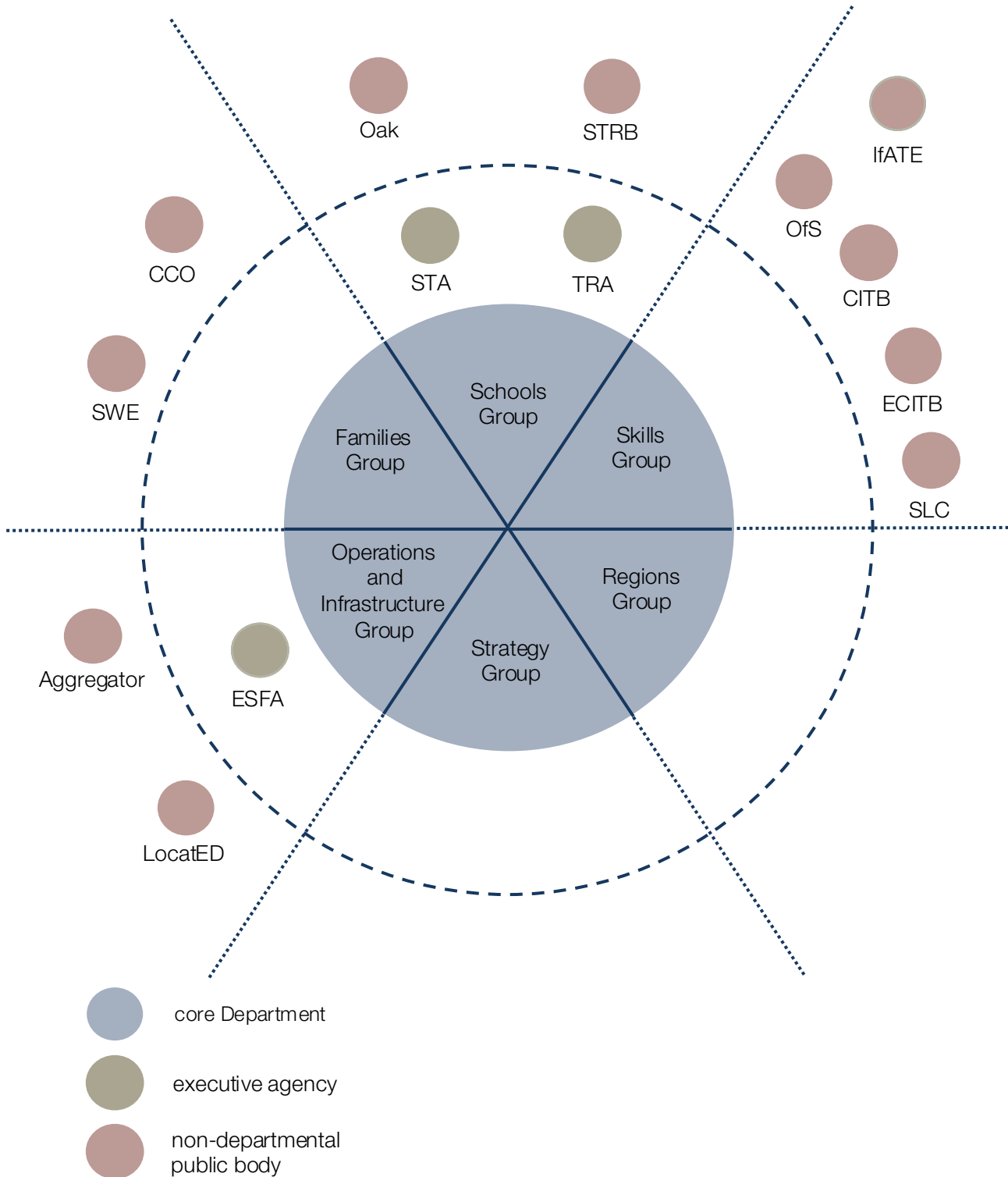


Figure 1 presents the Departmental Group with its year end composition, so excludes the post-year end changes involving ESFA, IfATE and Skills England.

Our vision

We are the department for opportunity. We work to deliver better life chances for all, breaking the link between background and success. We do this by protecting children and ensuring the delivery of higher standards of education, training and care. We create opportunities for children and learners to achieve and thrive today, so they have the freedom to succeed and flourish tomorrow, strengthening our society, powering our economy and enabling equality.

The Department leads the government's mission to break down barriers to opportunity, as one of the government's [five published missions](#)²:

- growing the economy
- an NHS fit for the future
- safer streets
- opportunity for all
- making Britain a clean energy superpower

The Opportunity Mission is the cornerstone of the government's commitment to ensuring that every child, regardless of their background, has the chance to succeed. This mission is about breaking the link between a young person's background and their future success. By working collaboratively across government and with partners across our sectors, we aim to build opportunity for all through four key pillars, which are described below.

As well as leading on the Opportunity Mission, the Department also makes a significant contribution to the separate Growth Mission. Our contribution is to drive growth and investment, and support the labour market, where our skills, capital and childcare programmes are critical.

Opportunity Mission

The Opportunity Mission is structured around four core pillars, each led by a named director general. These pillars represent the key areas of focus required to achieve the mission's overarching objective.

² <https://www.gov.uk/government/publications/plan-for-change>

Figure 2: Our four mission pillars directing our activities to achieve the Opportunity Mission



Each pillar is supported by a dedicated pillar board, chaired by the relevant director general. These boards are responsible for driving delivery within their respective areas and ensuring progress against pillar-specific objectives.

A central team within the Strategy Group coordinates the overarching mission plan. This team supports the pillar boards, maintains the integrated delivery plan, and leads on prioritisation, innovation, cross-government engagement and investment planning.

Progress is overseen through a two-tiered governance structure:

- Ministerial-level governance is led by the Secretary of State, who convenes the Opportunity Mission Board. This cabinet-level board brings together ministers from key contributing departments to debate priorities, agree investments and drive collective action across government.

- Official-level governance is led by the Director General of Strategy Group, who serves as the Senior Responsible Officer (SRO) for the mission. He convenes an officials’ board ahead of each ministerial board meeting to coordinate cross-government collaboration and ensure alignment across the mission’s pillars.

Further information about our mission pillars is included in [Performance analysis](#).

Growth Mission

As well as leading on the Opportunity Mission, the Department plays a central role in the Growth Mission. The Growth Mission is underpinned by seven pillars:

Figure 3: The seven mission pillars directing activities to achieve the Growth Mission



In partnership with the Department of Work and Pensions (DWP) and Department for Business and Trade (DBT) we are responsible for the people pillar, with the Skills Group Director General acting as the Department’s SRO.

Directors general from the Department, DBT and DWP are co-chairs of the people pillar of the Growth Mission. A Growth Mission Board sets strategic direction of labour market policy, to:

- support people into good, skilled work
- drive productivity and progression
- ensure there is a skilled workforce that supports the Growth Mission and the industrial strategy

The Department's Skills for Opportunity and Growth Board brings together the SROs for the programmes and policies that support both the Opportunity and Growth Missions, ensuring we have a single coherent approach to delivering our skills reforms.



Our performance at a glance

For each mission pillar we have identified the operational activities required to achieve them. Most activities have their own KPIs, which in turn build to support mission pillar outcome KPIs.

Some of the goals and KPIs cover desired outcomes to be achieved in the future, commonly across the life of this Parliament and spending review. Additional performance reporting can be found in [Annex A](#).



Pillar 1: Best start in life



Outcome KPI

Percentage of children reaching a 'good level of development' at age 5.

Activity KPIs

3,000 school-based nurseries
 Childcare entitlements
 Family Hubs and Start for Life
 Early education standards and workforce



Pillar 2: Every child achieving and thriving



Outcome KPI

Attainment at the end of secondary school, and rates of school absence.

Activity KPIs

6,500 additional teachers (shared with pillar 3)
 Mental health support in schools
 Breakfast clubs
 RISE teams
 Attendance
 Accountability
 Special Educational Needs and Disability (SEND) and Alternative Provision (AP) reform



Pillar 3: Skills for opportunity and growth



Outcome KPI

Proportion of young people in education and employment with training, and number achieving higher level qualifications.

Activity KPIs

Skills England

Growth and skills levy

Youth guarantee

Construction skills package

6,500 additional teachers
(shared with pillar 2)



Pillar 4: Family security – keeping children safe and tackling child poverty



Outcome KPIs

Reduction in number of children living in relative poverty (after housing).

A measure of child safety.

Activity KPIs

Families First for Children

Fostering recruitment and retention

Single unique identifier

Kinship

The sectors we served

Funding



£6.2bn

Early years childcare entitlements
(prior year: £4.0bn)



£58.5bn

Core funding for schools, high needs and pupil premium
(prior year: £57.0bn)



£7.2bn

Core funding for 16 to 19 provision
(prior year: £6.8bn)



£2.7bn
Apprenticeships
and
£1.5bn

Adult education budget
(prior year: £2.5bn and £1.4bn)



£11.5bn
tuition fees

to higher education sector
(prior year: £11.4bn)

Sector metrics



37,275
pupils in
379

state-funded nurseries

in January 2025
(prior year: 37,726 in 381 nurseries)



4.55m
pupils in
16,743
state-funded primary schools

in January 2025
(prior year: 4.61m in 16,764 schools)




3.67m
pupils in
3,456
state-funded secondary schools

in January 2025
(prior year: 3.67m in 3,452 schools)

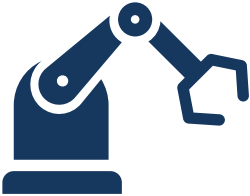
**Pupils –
5.3m
in academies
and
3.2m
in local-authority
maintained schools**
at January 2025
(prior year: 5.1m and
3.4m respectively)




**529,800
adults**
in regulated education
and training provision
(Aug-2024 to Jan-2025)
(prior year: 520,100)




**79,000
achievements**
of which
28,100 were
**higher
apprenticeships**
(level 4+) in 2024/25
(prior year: 73,600
and 23,200)



1.33m
funded 19+ further
education and skills
participants at Aug-2024
to Jan-2025
(prior year 1.31m)



49,900
children subject to a
protection plan at
31 March 2024
(prior year: 50,780)



83,630
children looked after at
31 March 2024
(prior year: 83,840)



399,460
children in need at
31 March 2024
(prior year: 403,090)



**1.28m
pupils with SEN
support
and
483,000
EHC plans**
in 2024/25 (prior year:
1.24m & 434,000)

Workforce data



215,600
teachers in state-
funded primary and
nursery schools

(full time equivalent)
in November 2024
(prior year: 218,500)



219,000
teachers in
state-funded
secondary schools

(full time equivalent)
in November 2024
(prior year: 217,600)



29,200
teachers in state-
funded special
schools

(full time equivalent)
in November 2024
(prior year: 28,200)



985,800
workforce in
state-funded
schools

(full time equivalent)
in November 2024
(prior year: 979,100)



80,500
teachers in the
FE sector

(headcount) in 2023/24
(prior year: 81,900)



203,000
workforce in the
FE sector

(headcount) in 2023/24
(prior year: 204,800)



103,387
registered social
workers

at November 2024
(prior year: 101,052)

Where we spent taxpayers' money

In this ARA, we report our spending through two financial frameworks: a financial reporting framework and a budgeting framework. Both frameworks apply the accruals concept, covering cash and non-cash balances. Owing to the scale of our student loan and other Statement of Financial Position (SoFP) activities, we report budgetary outturn values not Statement of Comprehensive Net Expenditure (SoCNE) results. [Figure 16](#) provides a reconciliation between outturn (shown in Statement of Outturn against Parliamentary Supply (SOPS)) and net expenditure (seen in SoCNE).

More information on performance and budget types is provided in the [Financial review of the year](#). [Annex A](#) provides additional analysis of outturn by budget type and operational unit.

Outturn analysis

Figure 4 presents a breakdown of Group outturn based on Estimate lines as a proxy to our strategic objectives, and links to SOPS notes [S1](#) and [S2](#).

Figure 4: Analysis of current year spending (£134.8 billion outturn) across the Group's strategic objectives

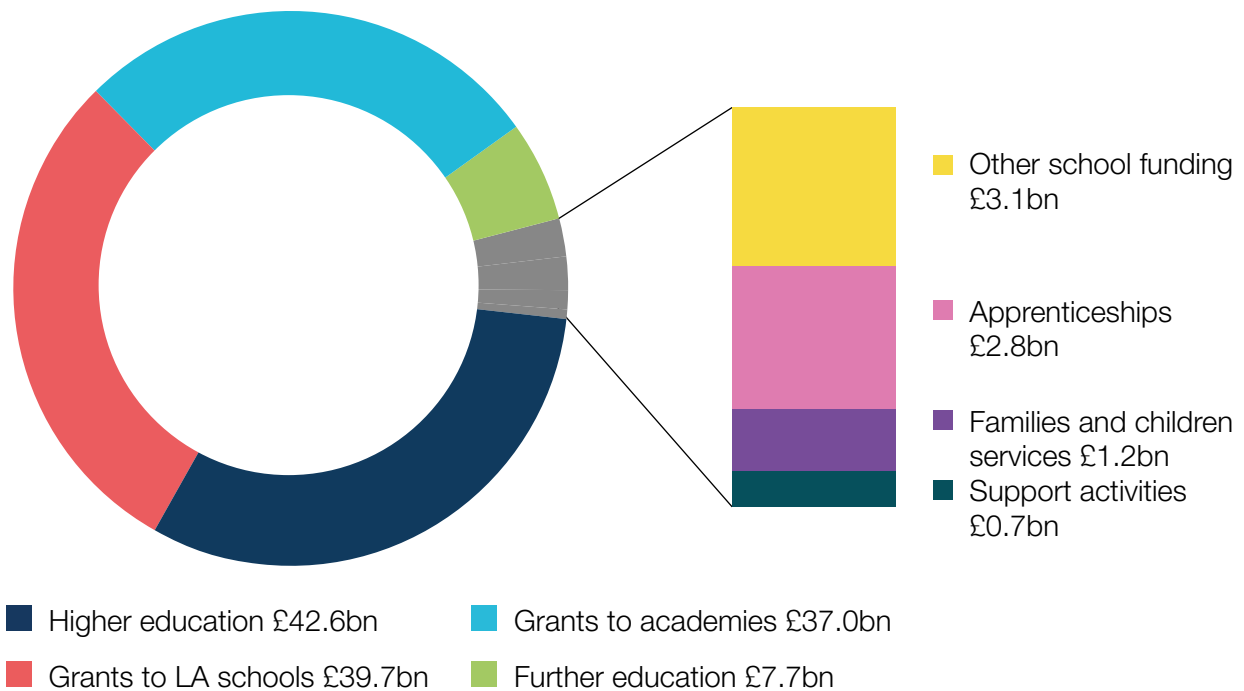
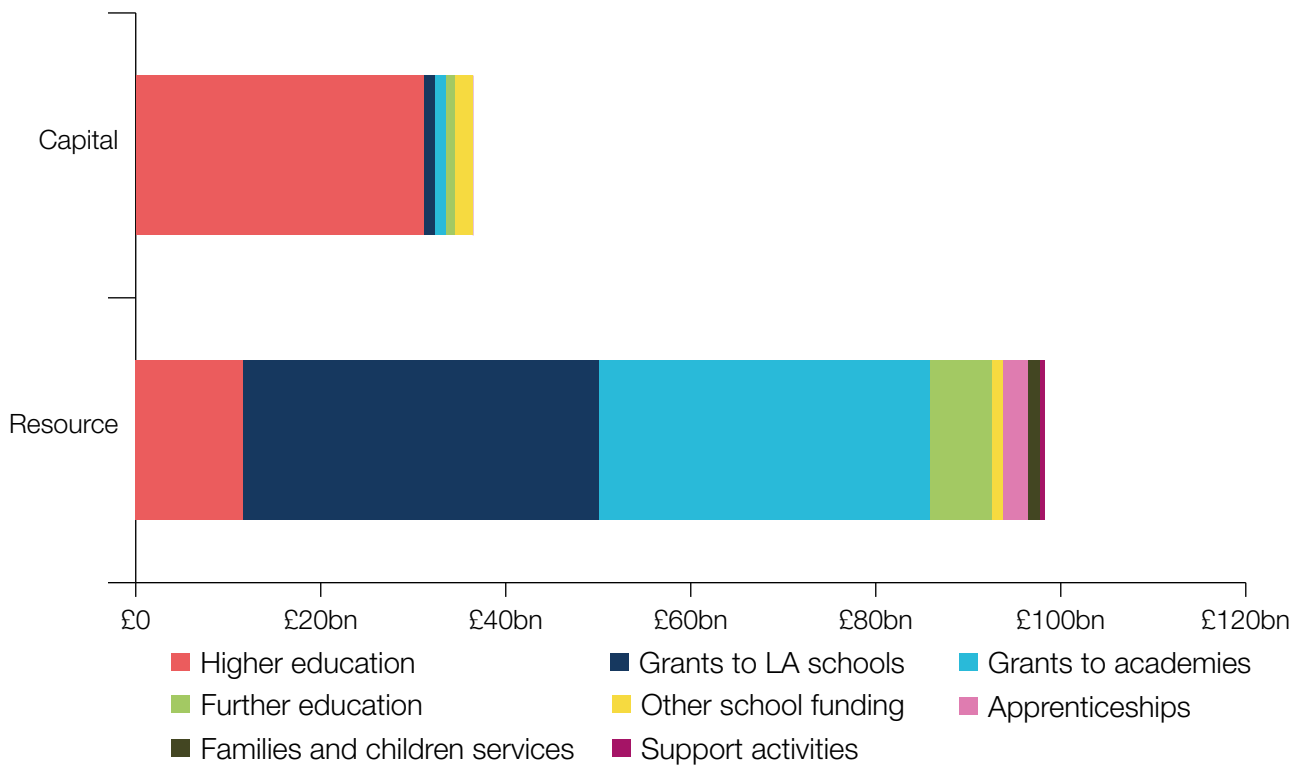


Figure 5: Current year outturn split by resource and capital classifications by Estimate line



In the previous figure, higher education outturn contains both non-student loan activities and student loans. Higher education’s disclosed capital outturn of £31.1 billion includes £30.9 billion generated by student loans (new loans less repayments). Higher education resource outturn of £11.6 billion includes £9.0 billion for student loans (predominantly fair value loss and write-offs).

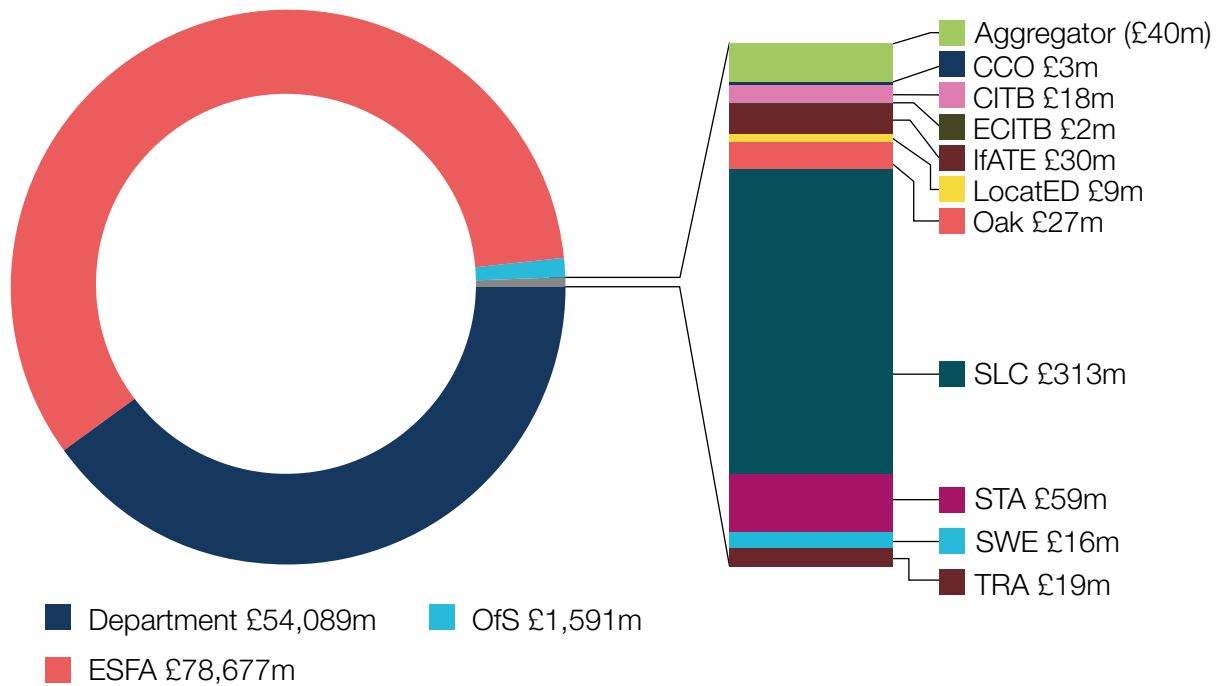
Figure 6: Movement of student loan carrying values for the current year

Further information about student loans can be found in note [14](#) and [Annex C](#).

Outturn analysis by Group body

Figure 7 presents this year’s total outturn analysed by Group body.

Figure 7: Breakdown of current year Group outturn (£134.8 billion) across Group bodies



Shortened names for Group bodies have been used in the figure above to save space. More detail is given in the later [Structure of the Departmental Group](#) section.

[Annex E](#) provides a breakdown of net expenditure and staff costs by Group body.

Summary of key risks and issues

Below are summaries of the key risks and issues managed by the Department during the year. More detail can be found in the [Key risks and issues](#) section of the Performance Report.

Risk 1 – Schools and further education workforce

Direction of risk assessment across the year: stable

There is a risk that schools and colleges are unable to recruit and retain sufficient quality teachers, impacting delivery of the government's opportunity and growth missions.

Risk 2 – High needs cost pressures

Direction of risk assessment across the year: worsening

There is a risk that, despite substantial real terms increases in high needs funding, high needs cost pressures continue to increase which could result in some local authorities becoming insolvent, citing SEND pressure as a contributing factor.

Risk 3 – Education estate

Direction of assessment risk across the year: stable

There is a risk of building or building element failure in the publicly-funded estate resulting from structural safety issues.

Risk 4 – Higher education financial failure

Direction of risk assessment across the year: risk escalated to be a key risk in-year

There is a risk that financial failure of a higher education provider impacts students, the sector and the economy.

Risk 5 – Cyber security

Direction of risk assessment across the year: stable

There is a risk that a cyber-attack or security breach could result in a loss of access to critical systems and services, and a loss of critical departmental data.

Structure of the Departmental Group

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

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

Public sector bodies are classified based on the Department's level of control over them. Executive agencies perform executive functions rather than providing policy advice. Other bodies in the Group, known as NDPBs, are separate legal entities but the Department typically sets their strategic framework. The Department usually appoints the Chair and non-executive board members of these bodies and is consulted on the appointment of their chief executive officers.

Group bodies are judged to be controlled by the Department and are included in the Departmental Group's financial reporting boundary, thus consolidated into this ARA. The Office for National Statistics (ONS) has determined that the academy school and the further education sectors are controlled by the Department and should be included in this ARA. However, these sectors are excluded from this ARA for the reasons provided below.

In addition to controlled bodies, the Department collaborates with other public bodies in the education and children's social care (CSC) sectors. These bodies are not controlled by the Department and are not part of the Group, but they are described here for completeness.

Executive agencies

Executive agencies are distinct units that operate separately from a central government department, but they remain legally part of that department. They are created by administrative action, and their staff are civil servants employed by that department. This differs from NDPBs, which are legally separate entities with public servants as staff. Our executive agencies are:

- Education and Skills Funding Agency (ESFA), which funded the education and training sectors, ensured proper use of public funds and provided financial support to education providers. The Agency closed on 31 March 2025. From 1 April 2025, all the Agency's activities, assets and liabilities were transferred to the Department. Further information is provided in the [Forward look](#).
- Standards and Testing Agency (STA), which oversees assessments for children up to the end of key stage 3 (although presently focusing on assessments from reception to the end of key stage 2) and manages the general qualifications planning service.
- Teaching Regulation Agency (TRA), which regulates the teaching profession, including misconduct hearings, and maintains the database of qualified teachers.

Non-departmental public bodies

NDPBs play a role in national government processes but operate independently from ministers. They work within a strategic framework set by ministers and have various roles, including advisory and executive functions.

Executive NDPBs

Executive NDPBs carry out executive or regulatory functions at arm's length from ministers. Our executive NDPBs are:

- Children's Commissioner's Office (CCO), who promote and protect children's rights, especially for the most vulnerable.
- Construction Industry Training Board (CITB), who support talent attraction and skills development in the construction industry.
- Engineering Construction Industry Training Board (ECITB), who work with employers and training providers to equip the engineering construction industry with necessary skills.
- Institute for Apprenticeships and Technical Education (IfATE), who developed and revised apprenticeships and technical qualifications, including T Levels and higher technical qualifications. IfATE closed on 1 June 2025. Further information is provided in the [Forward look](#).
- Located Property Limited (LocatED), who select sites for new schools in England.
- Oak National Academy Limited (Oak), who support teachers with free high-quality digital curriculum resources.
- Office for Students (OfS), who regulate higher education in England and disburse government funding to the sector.
- Social Work England (SWE), who regulate social workers in England and aim to raise standards through collaboration with the sector.
- Student Loans Company Limited (SLC), who administer loans and grants to students in the UK on behalf of the Department and devolved governments.

Advisory NDPBs

Advisory NDPBs consist of external experts who advise ministers on specific policy areas. They provide independent specialist advice, are supported by a small secretariat from the sponsoring department and do not produce their own ARA. Our advisory NDPB is:

- School Teachers' Review Body (STRB), recommends pay, duties and working conditions for school teachers in England.

Other bodies

Our other body is:

- Aggregator Vehicle plc (Aggregator), provided market funding for new school buildings through our private finance initiative (PFI) transaction. Although not formally an NDPB, it is classified by ONS as part of the central government economic sector and included in NDPB disclosures.

Excluded sectors

Academy sector

Reclassified by ONS to the public sector in 2004, with the Department as the controlling body. Although initially consolidated, the academy sector has been excluded from the Group ARA since 2016-17, with its own standalone [sector annual reports and accounts \(SARA\)](#)³ with a year end of 31 August.

The consolidation of the sector resulted in significant audit qualifications which we judged to be structural, limiting our ability to design a suitable alternative consolidation approach. In answer to this we secured Parliament's agreement to remove the sector from the consolidation and consolidate the sector into SARA.

Following reclassification, each academy trust is considered to be an NDPB, albeit not consolidated into this ARA. At the year end there were 2,152 active academy trusts.

Further Education (FE) sector

Reclassified by ONS to the public sector in 2022, with the Department as the controlling body. The Department continues to work with HMT to determine the appropriate consolidation approach. The FE sector is excluded from this ARA for the reported years.

Following reclassification, each FE provider is considered to be an NDPB, albeit not consolidated into this ARA. At the year end there were 218 active providers.

Non-Group bodies

The Department also works with other education sector bodies that are not controlled by the Department or Secretary of State and are not part of the Group.

Non-ministerial departments

Independent government departments without their own ministers but accountable to Parliament through sponsoring ministers. Non-ministerial departments produce and publish their own ARAs and Estimates, and are:

- Teachers' Pension Scheme (England and Wales) (TPS), a statutory, unfunded multi-employer defined benefit occupational pension scheme for the teaching profession.

³ <https://www.gov.uk/government/collections/academies-sector-annual-reports-and-accounts>

- Ofqual, who regulate qualifications, examinations and assessments in England.
- Ofsted, who inspect education and skills services, and regulate services for children and young people.

Other bodies

These are supported administratively by the Department but do not produce their own ARAs, and are:

- Child Safeguarding Practice Review Panel, who commission reviews of serious child safeguarding cases to improve outcomes for children.
- Independent Review Mechanism, who review decisions made by adoption and fostering providers.
- Office of the Schools Adjudicator, who decide on objections and variations to school admission arrangements and other school-related issues.

Operational structure

Operational units

The Group organises its strategic responsibilities and priorities into six operational units. Each unit had the following responsibilities during the year.

Families Group

Director General Justin Russell

Families Group is responsible for giving children the best start in life in their early years; keeping children safe, including through local authority children's services; for making schools calm, safe and supportive environments and improving attendance; and ensuring no child goes hungry in term time or school holidays.

It does this by maximising access to high-quality early education and childcare; investing in reform of children's social care services, through policy and delivery responsibility for free school meals, breakfast clubs and school holiday food and activities programmes, and reducing school absence.

Schools Group

Director General Juliet Chua

Schools Group oversees policy and delivery in the school system, working to break down barriers to opportunity and raise standards in every school, so all children can achieve and thrive. It aims to support recruitment, retention and training of teachers and leaders; ensure high-quality curriculum, qualifications and assessment, and works to build a high performing and collaborative school system.

Skills Group

Director General Julia Kinniburgh

Skills Group oversees the policy and delivery of post-16 education and skills. Skills are integral to all government missions, particularly growth and opportunity. Skills improve productivity and attract investment, and they enable individuals to thrive in their lives and at work. Skills Group aims to drive economic growth and opportunity for all by ensuring there is a strong post-16 education and skills system that delivers clear pathways for progression and into work for everyone regardless of their background; meets employers' skills needs; and also supports the government's other missions on clean energy, NHS and safer streets.

Regions Group

Director General John Edwards

Regions Group acts as the Department's delivery arm for the government's Opportunity Mission, supporting regional and local delivery of Best Start in Life, Achieving and Thriving, and Keeping Children Safe. It collaborates with the school, SEND and CSC sectors as regulator, commissioner, funder and partner to deliver. Through its RISE teams, Regions Group provides bespoke targeted support to eligible schools as well as bringing all schools together to share knowledge and innovate.

Strategy Group

Director General Tony Foot

Strategy Group sets shared direction and brings the Department together. It supports, challenges and enables the Department to look ahead – anticipating strategic opportunities, challenges and risks; look outwards – engaging with the public, our sectors and international partners; and join-up – across families, schools and skills and with other government departments. It provides strategy, delivery, analysis, communications, policy, resilience and private office services across the Department. It also leads across government on the Opportunity Mission.

Operations and Infrastructure Group

Director General Jane Cunliffe

Operations and Infrastructure Group ensures the Department is modern, innovative and effective, supporting ambitious reforms. It helps ensure the Department upholds high standards, protects taxpayers' money and ensures proper conduct. The unit also supports the education sector by building schools, providing digital and data services and delivering accurate funding.

As shown in [Figure 1](#), all the Group's Agencies and NDPBs report through a Departmental business group.

Reporting in this ARA

The lowest level of financial information presented in this ARA is the sub-consolidation of the core Department and its Agencies ('Department and Agencies'). The full consolidation ('Group') is the core Department and Agencies together with the NDPBs named above and in note [24](#).

Financial review of the year

Introduction

This section explains:

- the Group's spending for the year within the budgetary framework (outturn)
- different budgetary classifications
- significant variances between outturn and control totals
- five-year trend analysis of outturn
- significant issues

Financial reporting frameworks

The Financial Statements and parts of the Remuneration and Staff Report are prepared under International Financial Reporting Standards (IFRSs) as adapted and interpreted by HM Treasury (HMT) for the public sector context; and published in the [Government Financial Reporting Manual \(FRoM\)](#).⁴

To support Parliamentary accountability, we also report our activities in SOPS, prepared under HMT's budgeting framework set out in [Consolidated Budgeting Guidance \(CBG\)](#).⁵ The budgeting framework aligns to the Estimate process, whereby Parliament authorises departmental funding.

Performance reporting

Our Performance Report focuses on outturn rather than actuals to align with Parliamentary reporting and to reflect the significant activities that are not reported through SoCNE. [Figure 16](#) links the Performance Report to the Financial Statements by reconciling total outturn to comprehensive net expenditure. We also provide additional analyses of outturn by operational unit and budget types in [Annex A](#).

Performance terminology

We use the following terms consistently throughout this ARA:

- actuals – activities reported under the accounting framework (Financial Statements)
- net expenditure – total of actuals as reported in SoCNE
- outturn – activities reported under the budgetary framework (SOPS and Performance Report)

⁴ <https://www.gov.uk/government/collections/government-financial-reporting-manual-frem>

⁵ <https://www.gov.uk/government/collections/consolidated-budgeting-guidance>

- budget cover – the value of expected spending authorised by Parliament through the Estimate process, also called voted totals
- budget scoring – refers to which budget class spending is allocated to, for instance ‘this spending is scored to RDEL’ means the spending will be recorded as RDEL outturn

Budget classifications

Total managed expenditure (TME)

The total amount spent by the Group under the budgetary framework, split into: Departmental Expenditure Limit and Annually Managed Expenditure, each with resource and capital sub-divisions.

Departmental Expenditure Limit (DEL)

Spending subject to limits set in a spending review, which departments may not exceed. DEL budgets are firm, planned annual budgets set for multi-year spending review periods, split into resource and capital budgets.

Annually Managed Expenditure (AME)

Spending subject to budgets set by HMT, often volatile or demand-led, and split into resource and capital budgets. Most of the Group’s AME expenditure comes from student loans.

Resource budgets

Capture current expenditure (including depreciation, which is the current cost associated with non-current assets). Resource budgets are split between programme and administration budgets.

Capital budgets

Capture new investment and financial transactions. Capital budgets are wholly programme.

Programme budgets

Cover expenditure, including staff costs, on front-line services such as schools, colleges and social work.

Administration budgets

Comprise non-programme spending, which covers the running costs of the Group including non-front-line staff, buildings, depreciation and technology.

Resource DEL (RDEL)

Current expenditure split between programme and administrative expenditure. In accordance with CBG, part of the annual student loan fair value movement is reported under this budget type. More detail concerning student loan budgeting follows below and in note [14.5](#).

Capital DEL (CDEL)

Spending on assets and investment such as education provider buildings and facilities.

Resource AME (RAME)

Covers part of the student loan annual fair value movement, provisions and resource costs of levy-funded bodies (CITB and ECITB).

Capital AME (CAME)

Covers student loan advances, repayments and capitalised interest, plus the capital cost of levy-funded bodies.

Ringfenced budgets

An HMT stipulated restriction whereby budgets can only be spent on particular activities and underspends cannot be utilised for other activities. Restrictions can be specific, such as student loan fair value movements, or wider across transaction types such as depreciation and amortisation.



Outturn spend

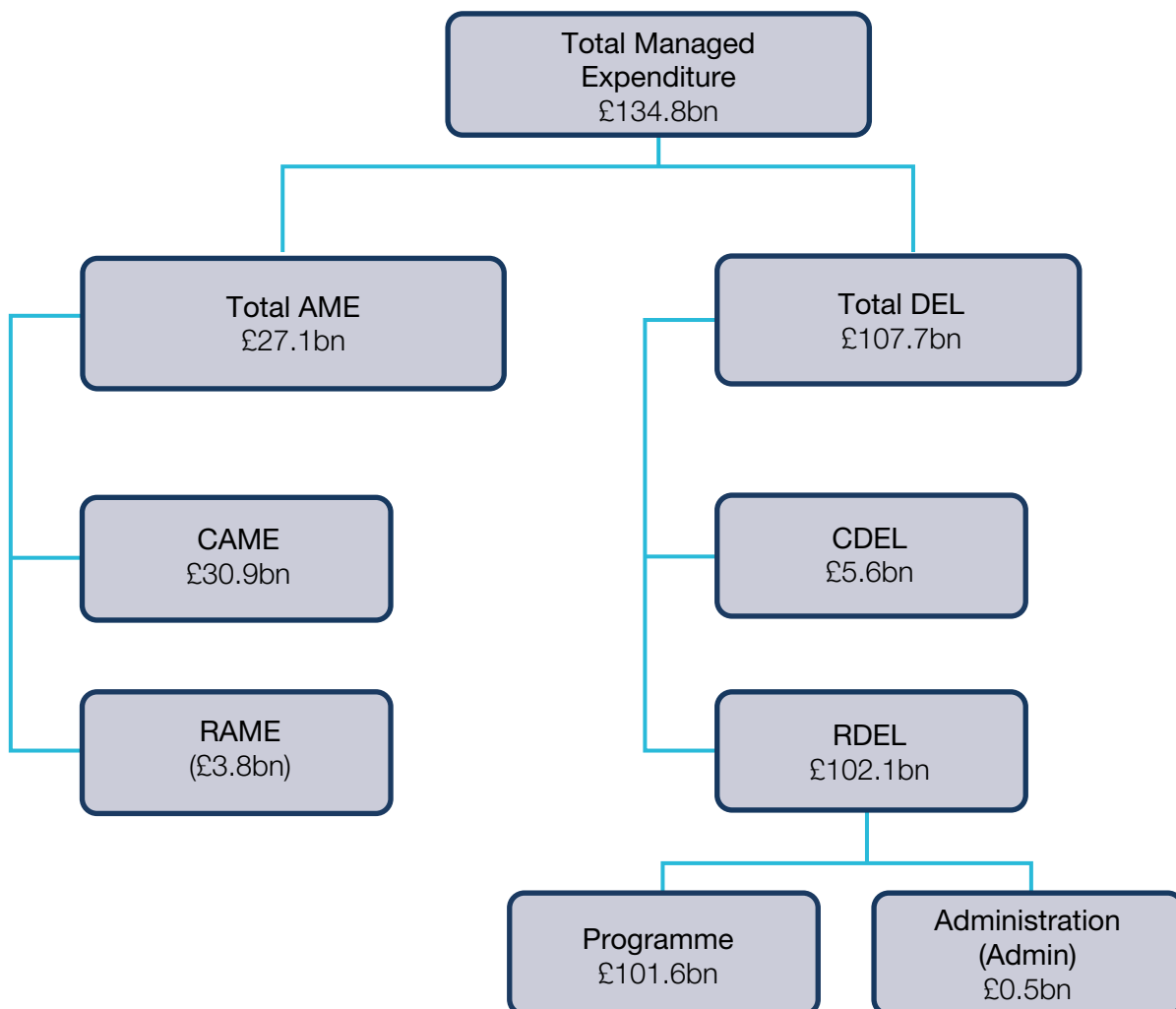
In this section we report and explain our performance under the budgeting framework and explain the different budgets managed by the Department across the Group and their purposes. The balances presented are the outturn for the year, with values in brackets representing net income or gains.

Overspend

The Department has managed financial pressures during the year, including high demand for the rollout of expanded childcare support. As a result of this pressure the Department requested approval from the Chief Secretary to the Treasury to relax a number of policy ringfences within RDEL where there were other underspends to largely cover these overspends.

Following the relaxation of these policy ringfences the Department exceeded its RDEL excluding depreciation HMT limit by £590,000. The Department is taking steps to avoid exceeding such HMT limits in the future.

Figure 8: Breakdown of current year's TME



Estimate to outturn comparison

The TME limit for the year, set through the Estimate process, was £152.9 billion (prior year: £143.7 billion) against which the Group spent £134.8 billion (prior year: £121.9 billion). Table 1 shows the Group's performance, for the last two years, against its control totals as agreed by Parliament at [Supplementary Estimates](#).⁶

Table 1: Comparison of Estimate to outturn for the current and prior years

| | 2024-25 | | | 2023-24 | | |
|-----------------------------|----------------|----------------|---------------|----------------|----------------|---------------|
| | Estimate | Outturn | Variance | Estimate | Outturn | Variance |
| | £m | £m | £m | £m | £m | £m |
| DEL | 118,390 | 107,724 | 10,666 | 111,394 | 94,264 | 17,130 |
| Resource | | | | | | |
| Programme | 112,096 | 101,575 | 10,521 | 104,051 | 87,097 | 16,954 |
| Admin | 577 | 547 | 30 | 563 | 530 | 33 |
| Capital | 5,717 | 5,602 | 115 | 6,780 | 6,637 | 143 |
| AME | 34,483 | 27,089 | 7,394 | 32,327 | 27,586 | 4,741 |
| Resource | 1,047 | (3,818) | 4,865 | (2,054) | (3,327) | 1,273 |
| Capital | 33,436 | 30,907 | 2,529 | 34,381 | 30,913 | 3,468 |
| TME | 152,873 | 134,813 | 18,060 | 143,721 | 121,850 | 21,871 |
| Analysed as: | | | | | | |
| non-student loan activities | 95,162 | 94,961 | 201 | 88,724 | 88,345 | 379 |
| student loans | 57,711 | 39,852 | 17,859 | 54,997 | 33,505 | 21,492 |

Table 1 summarises the detailed analysis of outturn to Estimate presented in the audited SOPS. SOPS is the primary element of Parliamentary accountability by comparing actual performance (outturn) with expected activities (Estimate) authorised through the Parliamentary voted totals (control totals) process.

The Group's large underspend is due to student loans. The underspend arises from challenges in forecasting year end student loan valuation model inputs (such as Retail Price Index (RPI)) during the Supplementary Estimates process before the year end economic inputs for the valuation model are known. Large variances between Estimate and outturn are usually due to a cautious Estimate and do not indicate poor management of student loans or their accounting values.

At Supplementary Estimates, the Department secured an £18.9 billion increase (prior year: £20.7 billion increase) in authorised spending for the current financial year, following the Main Estimates at the start of the financial year. The increase primarily reflects the revised student finance forecasts and fair value movements, given the sensitivity of the loan book to macroeconomic conditions.

⁶ <https://www.gov.uk/government/collections/hmt-supplementary-estimates>

The main changes by budget category are:

- RDEL – a £17.8 billion increase, which included £15.2 billion for student loan fair value movements (prior year: £18.6 billion increase which contained a £18.5 billion student loan increase), in addition we secured a £2.6 billion increase for non-student loan programme spend
- RAME – a £4.0 billion increase, which covered £4.0 billion for the costs of unwinding the discount applied to value student loans (prior year: £2.4 billion increase, which allowed for a £2.3 billion discount unwind)
- CDEL – a £378 million decrease, reflecting lower than planned spend owing to typical variability seen in capital forecasts and delivery each year
- CAME – a £2.5 billion decrease, of which student loan changes amounted to £2.4 billion (prior year: £47 million, of which £55 million for student loans)
- net cash requirement – a £2.1 billion increase, of which £1.9 billion covered the increased funding for schools

The changes at Supplementary Estimates represented our revised planned expenditure in this financial year. These changes are reflected in our published control totals; they are not outturn or actuals. The post-change values are presented in SOPS, and accompanying notes, as 'Estimate'.

Student loans reporting

Calculating student loan valuations, for accounting (note [14](#)) and Estimate claims, is inherently difficult and differs to commercial loan portfolios. Unlike commercial mortgage books (which are similar in duration) the student loan portfolios do not have stable monthly contractual repayments allowing for easily modelled repayment profiles. Instead, student loan repayments are dependent upon individual borrower's earnings and which loan plans they have, which makes repayments sensitive to economic conditions such as employment levels, RPI and salary growth. The year end values for these variables, which are required by the valuation models, are unknown during the Estimate claim process (Mains or Supplementary).

In addition, the very large size of the student loan portfolio (£265 billion face value, note [14.1](#)) adds complexity. The student loan valuation models apply valuation inputs and assumptions to student loan face value balances to calculate the carrying values. Small changes in these inputs can cause significant variations in carrying values. Therefore, small differences between model inputs forecast at Supplementary Estimates and actual values at the year end can generate very large variances. See note [14.3](#) and [Annex C](#) for more explanation on valuation model input sensitivities; and note [8](#) records the annual movement in fair value.

Consequently, the Department is prudent when it prepares its Supplementary Estimates claim, requesting budget cover based on reasonable expectations rather than worst-case scenarios.

To add further complexity to student loan outturn reporting (away from net loan advances), the performance of student loans scores to multiple budget categories even if in accounting terms there is just a single fair value movement. HMT requires further analysis of the fair value movement to support fiscal reporting as set out in CBG. [Annex C](#) has more details.

In general terms, the single accounting performance measure (fair value gain or loss) is split into the following budget categories:

- RAME
 - the cost of unwinding the discount applied to future student loan repayments by one year
 - the impact of changes in the discount rate on the fair value of the existing stock of loans
 - the impact of changes in the discount rate on loans issued in year
 - differences in student loan outlay between models in the student loan pipeline arising from assumptions on when cashflows occur
- RDEL – the remaining fair value movement

Note [14](#) provides further analysis of the student loan outturn split by net advances, the initial fair value gain or loss and the year end fair value gain or loss.

Variations discussion

Further explanation of large pre-virement variations of Estimate to outturn is included in the Trends in TME section. The variations discussed have been identified from SOPS notes [S1.1](#) and [S1.2](#) which are those variations over £1 billion or over 10% of Estimate value and over £250 million, across the different Estimate rows.

Trends in TME

The following table and figures present five-year summaries of the Group's outturn, by budget type. The table and figures are summarised versions of the tables presented in [Annex D](#).

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

Table 2: Outturn analysed across budget types for the last five years

| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|-----------------------------|----------------|----------------|-----------------|----------------|----------------|
| Type of spend | Outturn | Outturn | Outturn | Outturn | Outturn |
| | £m | £m | £m | £m | £m |
| DEL | | | | | |
| Administration | 547 | 530 | 546 | 540 | 509 |
| non-student loan activities | 547 | 530 | 546 | 540 | 509 |
| student loans | – | – | – | – | – |
| Programme | 101,575 | 87,097 | 66,609 | 72,406 | 74,712 |
| non-student loan activities | 88,801 | 81,180 | 76,000 | 70,759 | 68,097 |
| student loans | 12,774 | 5,917 | (9,391) | 1,647 | 6,615 |
| Capital | 5,602 | 6,637 | 5,948 | 4,798 | 4,830 |
| non-student loan activities | 5,602 | 6,637 | 5,948 | 4,798 | 4,830 |
| student loans | – | – | – | – | – |
| Total DEL | 107,724 | 94,264 | 73,103 | 77,744 | 80,051 |
| non-student loan activities | 94,950 | 88,347 | 82,494 | 76,097 | 73,436 |
| student loans | 12,774 | 5,917 | (9,391) | 1,647 | 6,615 |
| AME | | | | | |
| Resource | (3,818) | (3,327) | (14,314) | (5,180) | 1,767 |
| non-student loan activities | 1 | (9) | 84 | 12 | (3) |
| student loans | (3,819) | (3,318) | (14,398) | (5,192) | 1,770 |
| Capital | 30,907 | 30,913 | 24,828 | 21,863 | 21,144 |
| non-student loan activities | 10 | 7 | 3 | (4) | (1) |
| student loans | 30,897 | 30,906 | 24,825 | 21,867 | 21,145 |
| Total AME | 27,089 | 27,586 | 10,514 | 16,683 | 22,911 |
| non-student loan activities | 11 | (2) | 87 | 8 | (4) |
| student loans | 27,078 | 27,588 | 10,427 | 16,675 | 22,915 |
| TME | 134,813 | 121,850 | 83,617 | 94,427 | 102,962 |
| non-student loan activities | 94,961 | 88,345 | 82,581 | 76,105 | 73,432 |
| student loans | 39,852 | 33,505 | 1,036 | 18,322 | 29,530 |

The following two figures present five-year trend analysis split by non-student loan activities and student loans. The main movement in the Group's annual TME across the five years has been movements in student loan performance, notably the fair value loss (or gain in 2022-23) which is reported in RAME and RDEL. Non-student loan activities have shown a steady year-on-year increase across the five years.

Figure 9: TME for non-student loan activities analysed across budget types for the last five years

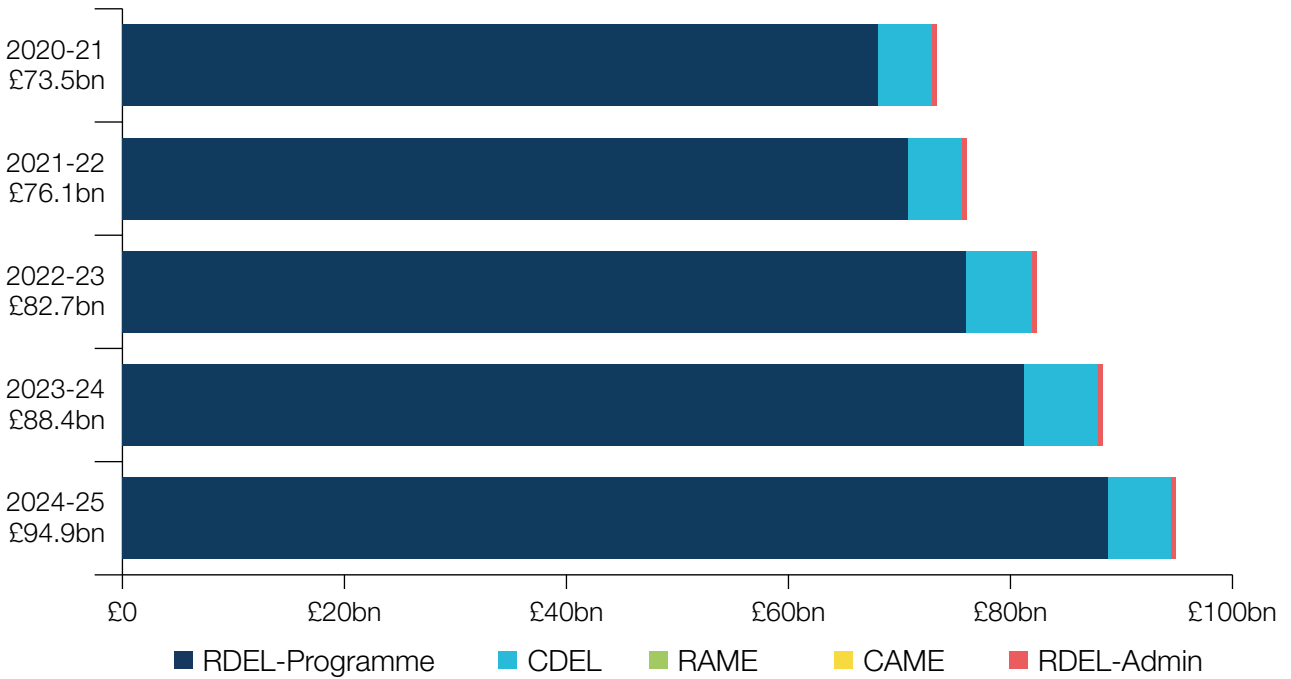
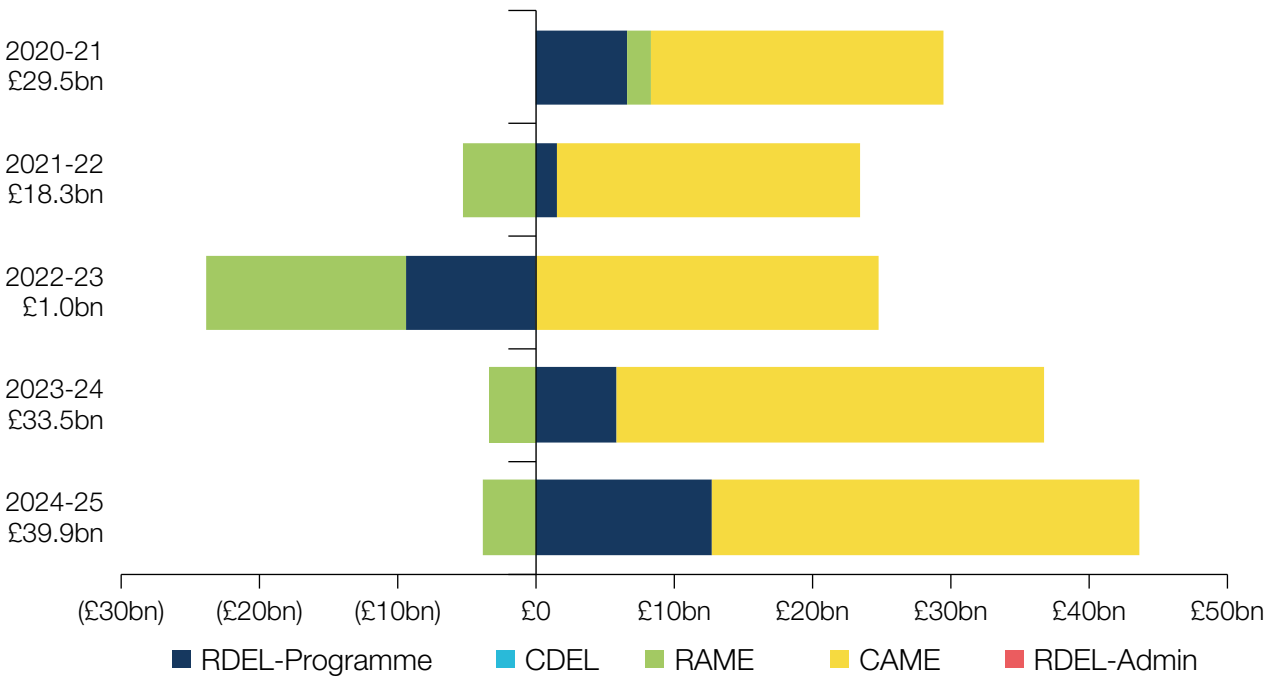


Figure 10: TME for student loans analysed across budget types for the last five years

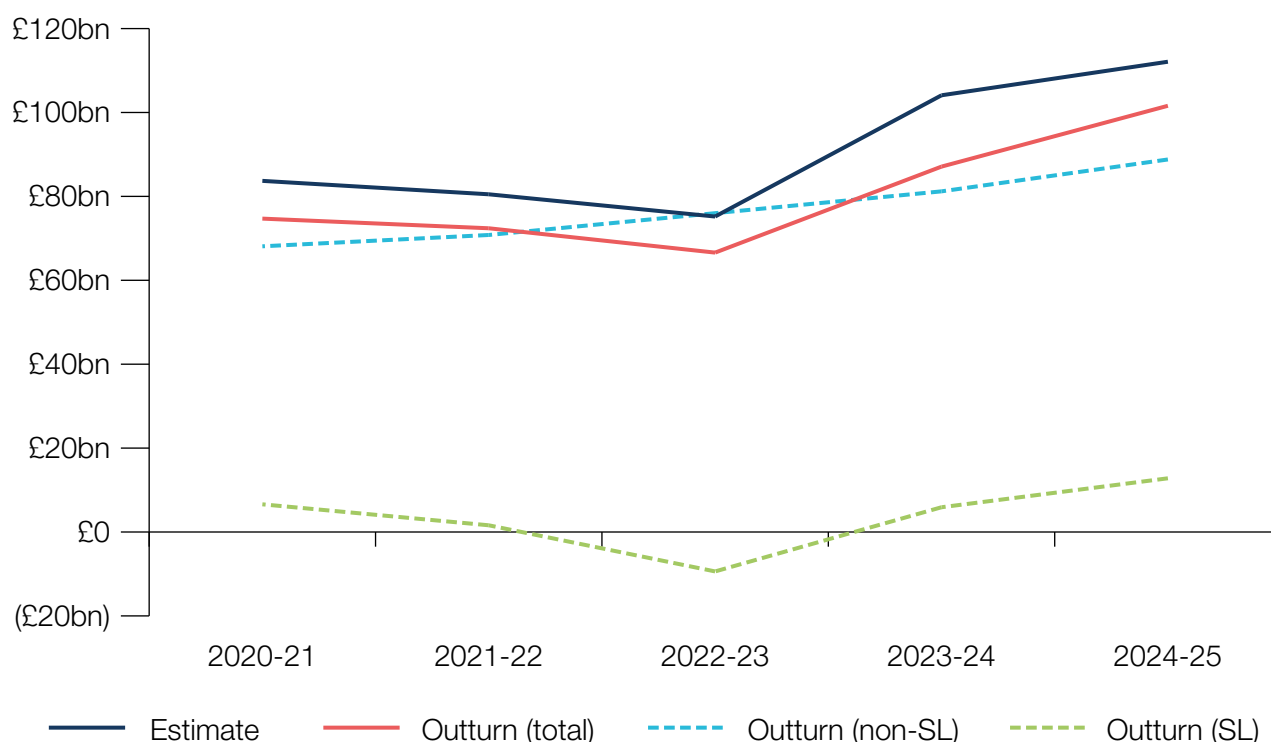


[Annex A](#) provides additional analysis of performance analysed across business groups and budget types.

Resource DEL-Programme

Figure 11 presents a comparison of Estimate to outturn for RDEL-Programme across the last five years. Outturn values are split between non-student loan activities (non-SL) and student loans (SL).

Figure 11: RDEL-Programme Estimate to outturn comparison for the last five years



RDEL-Programme's Estimate for this financial year shows an increase of £8.0 billion compared to the prior year.

Total outturn uplift from last year (£14.5 billion) was broadly even across both activity types, non-student loan activities of £7.6 billion and student loans of £6.9 billion.

This year's student loan outturn reflects the RDEL-Programme portion of the annual fair value loss. The non-student loan activity uplift was split across programmes with the national funding formula (NFF) and high needs funding increasing by £1.5 billion. The increase in non-student loan outturn is driven by continued investment in Group priorities, including increases to the core schools and early years spending.

Note [S1.1](#) details the overall RDEL underspend of £10.6 billion by Estimate lines which approximate operational areas. Almost all of the overall underspend, £10.5 billion (before and after virements), is held by the higher education (HE) Estimate line which is driven by student loan fair value losses and other valuation movements. The underspend arises from more favourable economic determinants (RPI and earnings) than those applied at Supplementary Estimates to determine student loans budget cover.

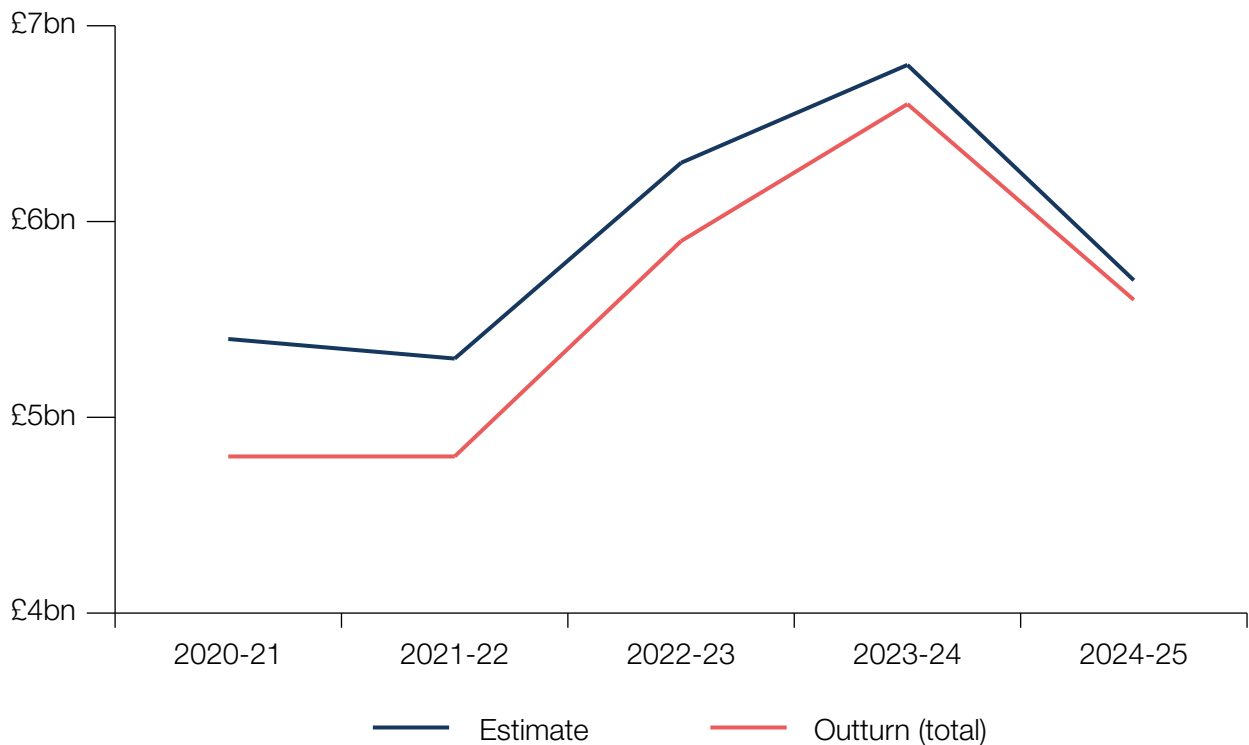
Other smaller but notable variances were:

- a £465 million overspend for further education, which represented 7% of Estimate value
- a £427 million underspend (1% of Estimate) for grants to schools, which is mostly composed of national funding formula grants

Capital DEL

Figure 12 presents a comparison of Estimate to outturn for CDEL across the last five years. Since there is no CDEL spend on student loans, the outturn represents non-student loan activities.

Figure 12: CDEL Estimate to outturn comparison for the last five years



Most of our capital investment (in a budgetary context) is spent on the school estate, including creating new school places and maintaining buildings. It also funds major programmes to build new schools, rebuild or repair existing school buildings or colleges. Other investments in skills include funding for T Levels rollout and CSC policy.

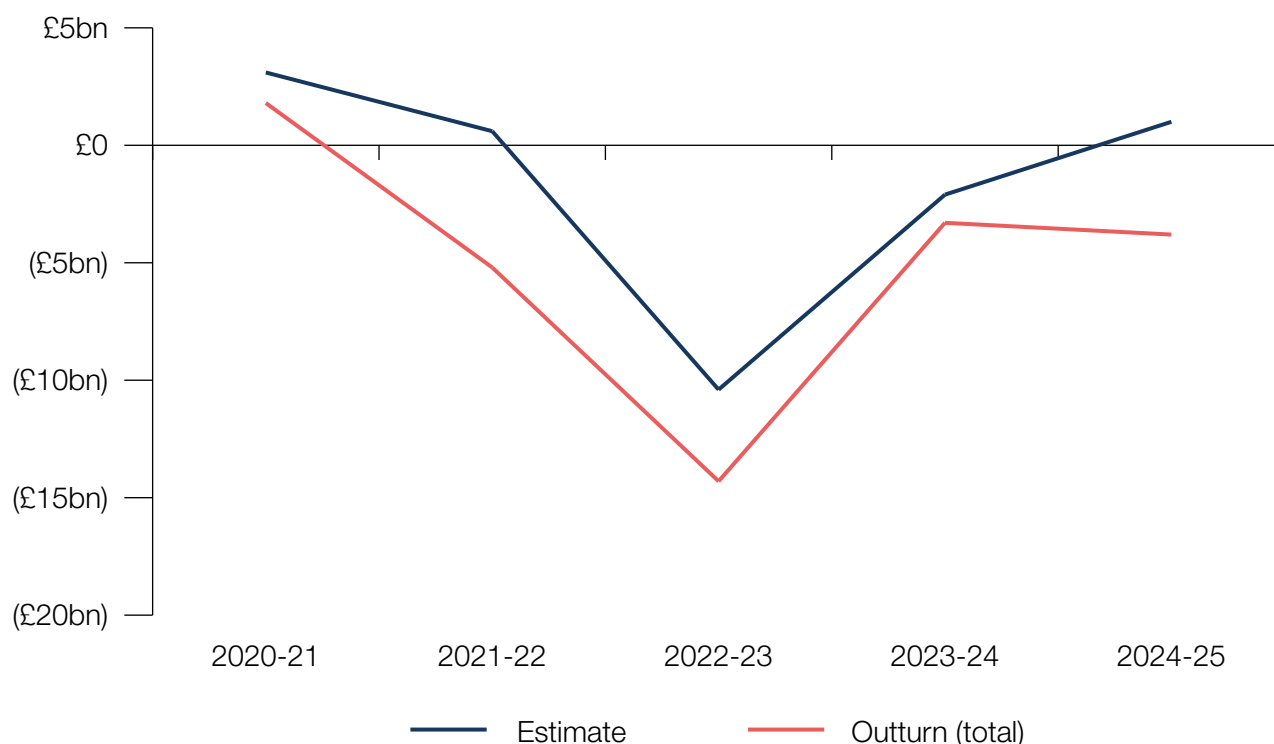
The current year Estimate balance fell £1.1 billion to £5.7 billion to reflect lower forecast expenditure on school condition. The outturn fall of £1.0 billion from last year closely matched the Estimate movement.

There are no Estimate rows with variances large enough for further analysis.

Resource AME

Figure 13 presents a comparison of Estimate to outturn for RAME across the last five years. Since there is no significant RAME spend on non-student loan activities, the outturn line represents student loans outturn.

Figure 13: RAME Estimate to outturn comparison for the last five years



The current year increase in budget cover secured at Estimate, £3.1 billion, results from RPI returning to more normal levels which means a reduction in the gain to be expected from unwinding the discount.

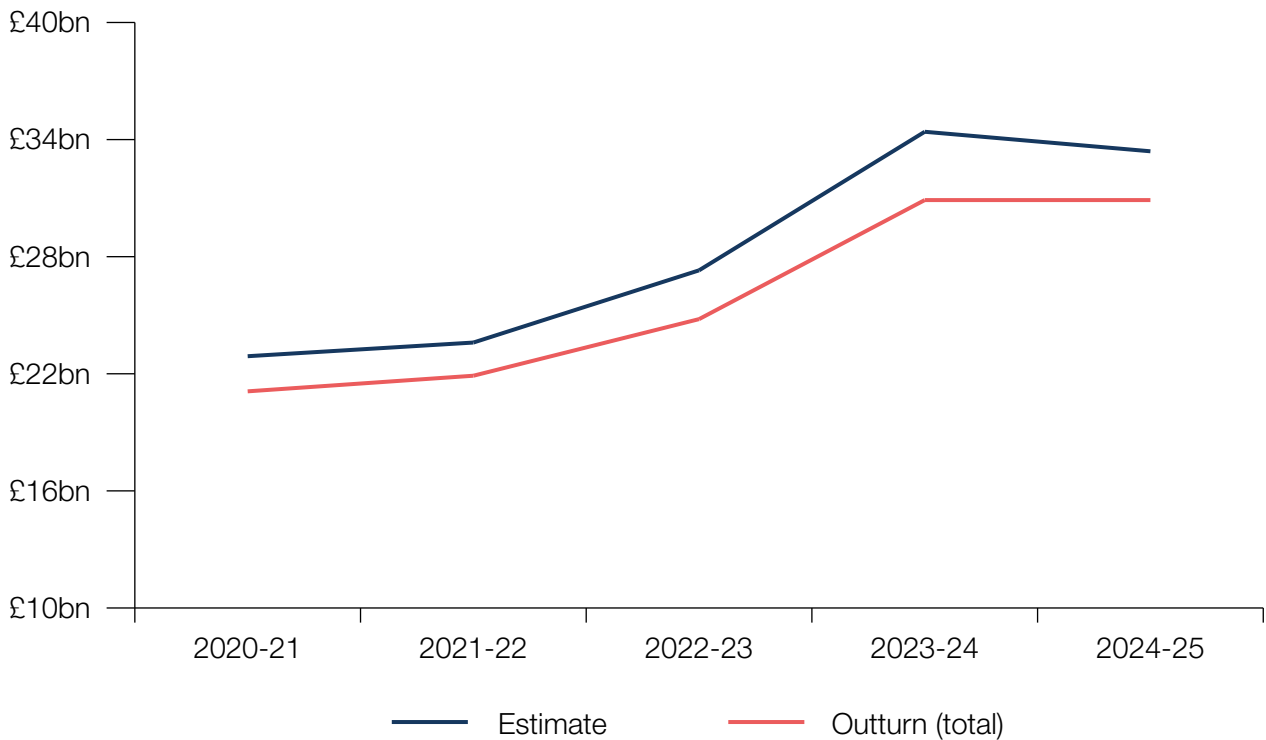
The deep change in 2022-23 was caused by the increase in RPI throughout that period from 1.5% in March 2021 to 13.5% in March 2023. The increase in RPI created a year end fair value gain (shown here as a large negative figure) rather than the more usual fair value loss. The return of RPI to its long-term trend has returned student loan performance to a fair value loss. Outturn remains a net benefit (negative value above) due to not all the student loan fair value losses being scored to RAME. Some elements of the fair value loss are scored to RDEL. Note [14.5](#) and [Annex C](#) provide further analysis of student loan performance by budget types.

The Group reported an overall underspend of £4.9 billion which, with roundings, matches that found in the HE Estimate line, the other rows' variances totalled a £33 million underspend. Student loans impact RAME through unwinding a year of discounting as the loan book is revalued twelve months on from the previous valuation. As student loans are discounted using the HMT rate of RPI-0.85% for cash flows up to 2030 and RPI+0.05% for cash flows thereafter, the student loans impact on RAME is highly dependent on RPI. The underspend arises from March 2025 RPI outturn (3.2%) being lower than the estimate applied at the Supplementary Estimates, because a decrease in RPI reduces the gain received from unwinding the discount on student loans.

Capital AME

Figure 14 presents a comparison of Estimate to outturn for CAME across the last five years. There is no significant CAME spend on non-student loan activities, so the outturn line represents student loan outturn.

Figure 14: CAME Estimate to outturn comparison for the last five years



The budget cover secured at Estimate decreased by £0.9 billion in the year, whereas outturn was unchanged from last year at £30.9 billion.

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

The underspend of £2.6 billion (predominately within the HE Estimate line) is a result of unused budget cover secured at Supplementary Estimates to cover the difficulties in forecasting student loan principal movements (loan advances, capitalised interest and loan repayments).

Resource DEL-Admin

Figure 15 presents a comparison of Estimate to outturn for RDEL-Admin across the last five years. There is no RDEL-Admin spend on student loans.

Figure 15: RDEL-Admin Estimate to outturn comparison for the last five years



The budget covers the running costs of the Department, including functions such as HR, Finance, Commercial and IT. The above figure shows the Group has managed within its budget for this year.

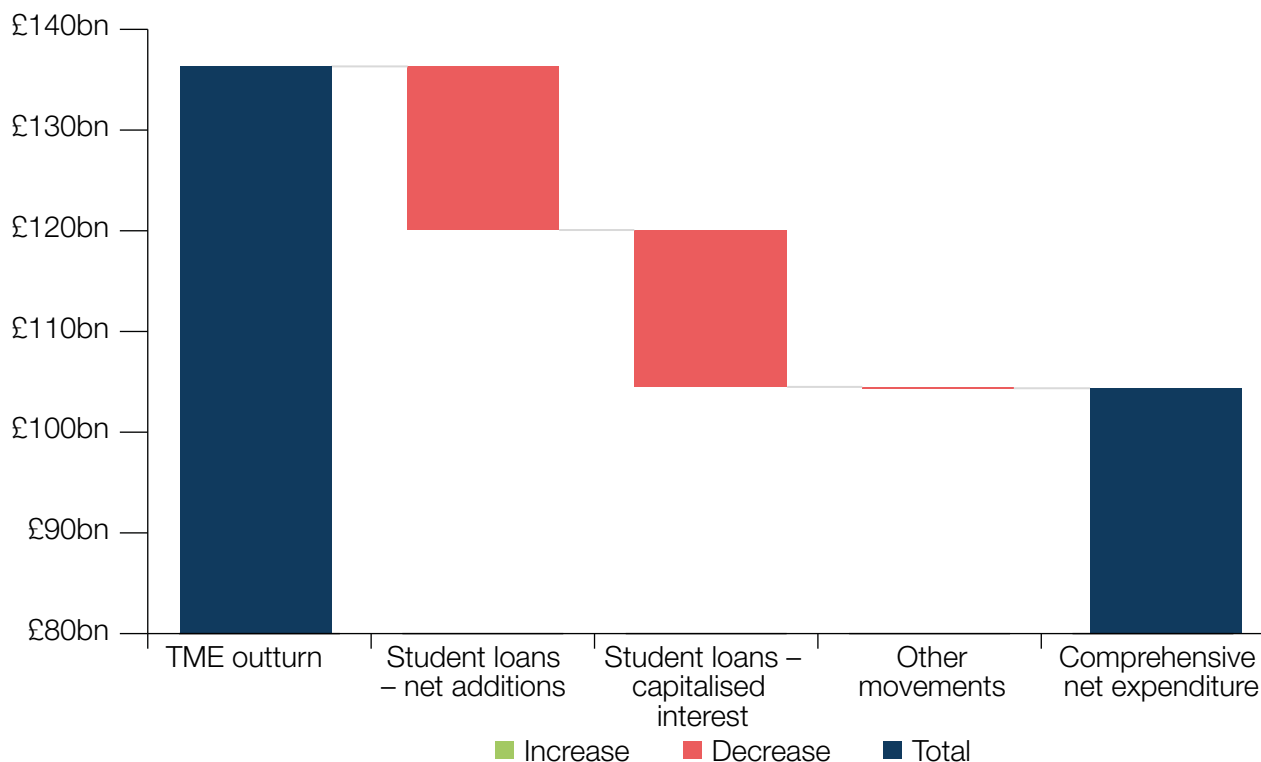
Reconciliation of outturn to net expenditure

Figure 16 shows a high-level reconciliation of the Group's activities between TME (SOPS) and net expenditure for the year (SoCNE). TME includes all budget reported-spend, including values that are recognised in SoFP rather than SoCNE. The most significant element of the reconciliation is student loan movements. Note [14](#) and [Annex C](#) provide more information on student loans.

There are two types of reconciling items:

- spend that is recognised in SoFP which needs to be removed from TME to align to SoCNE, including student loan net additions (the net of loan advances and repayments)
- to partially remove activities that score to different budget types from both SoCNE and SoFP accounting entries to allow for the single recognition in SoCNE; which includes student loan capitalised interest that is reported in both SoCNE (part of fair value movement) and SoFP (asset values)

Figure 16: Reconciliation of TME to comprehensive net expenditure for the current year



Net expenditure

Figure 17 shows the Group's net expenditure for the year analysed across the main expense types as presented in SoCNE. Resource policy funding has been further analysed across business groups.

The following figures then break down the three forward-facing business groups' performance by significant programme component as set out in note [6](#).

Figure 17: Breakdown of the Group’s current year net expenditure as per SoCNE (£103.8 billion)

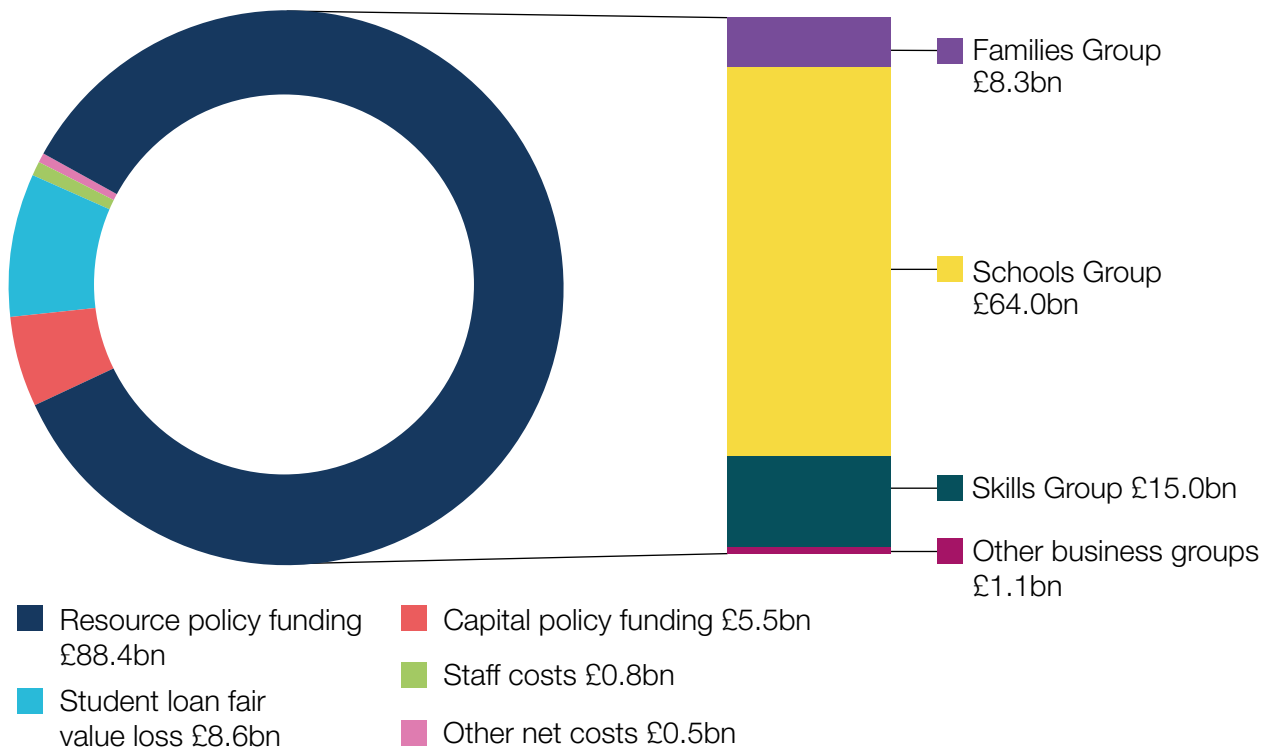


Figure 18: Breakdown of Families Group’s resource policy funding (£8.3 billion) by major programme

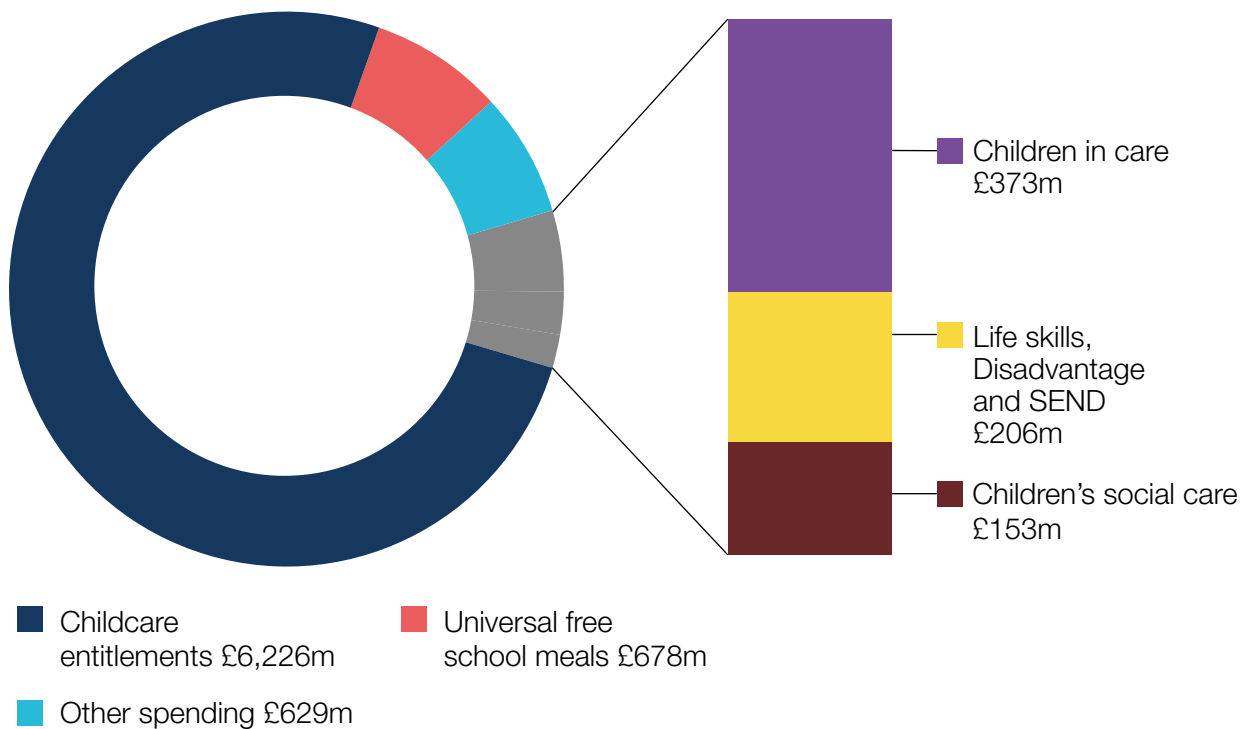


Figure 19: Breakdown of Schools Group’s resource policy funding (£64.0 billion) by major programme

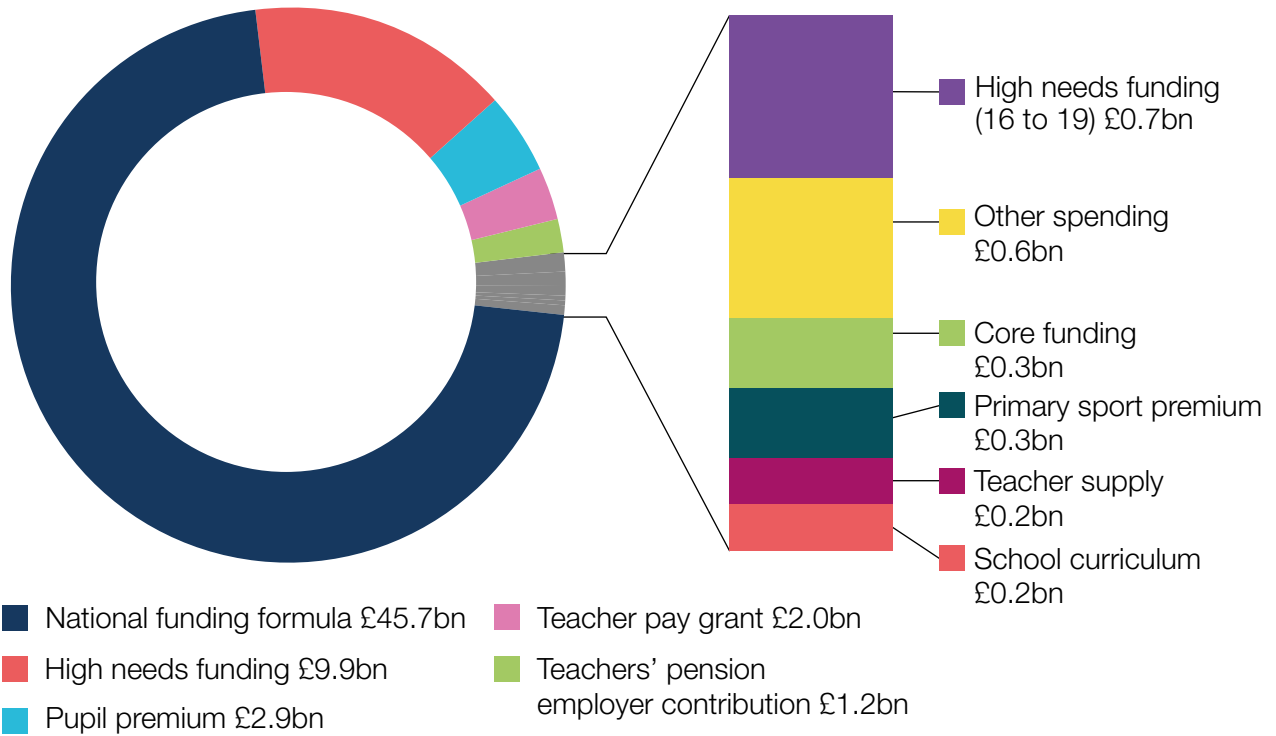
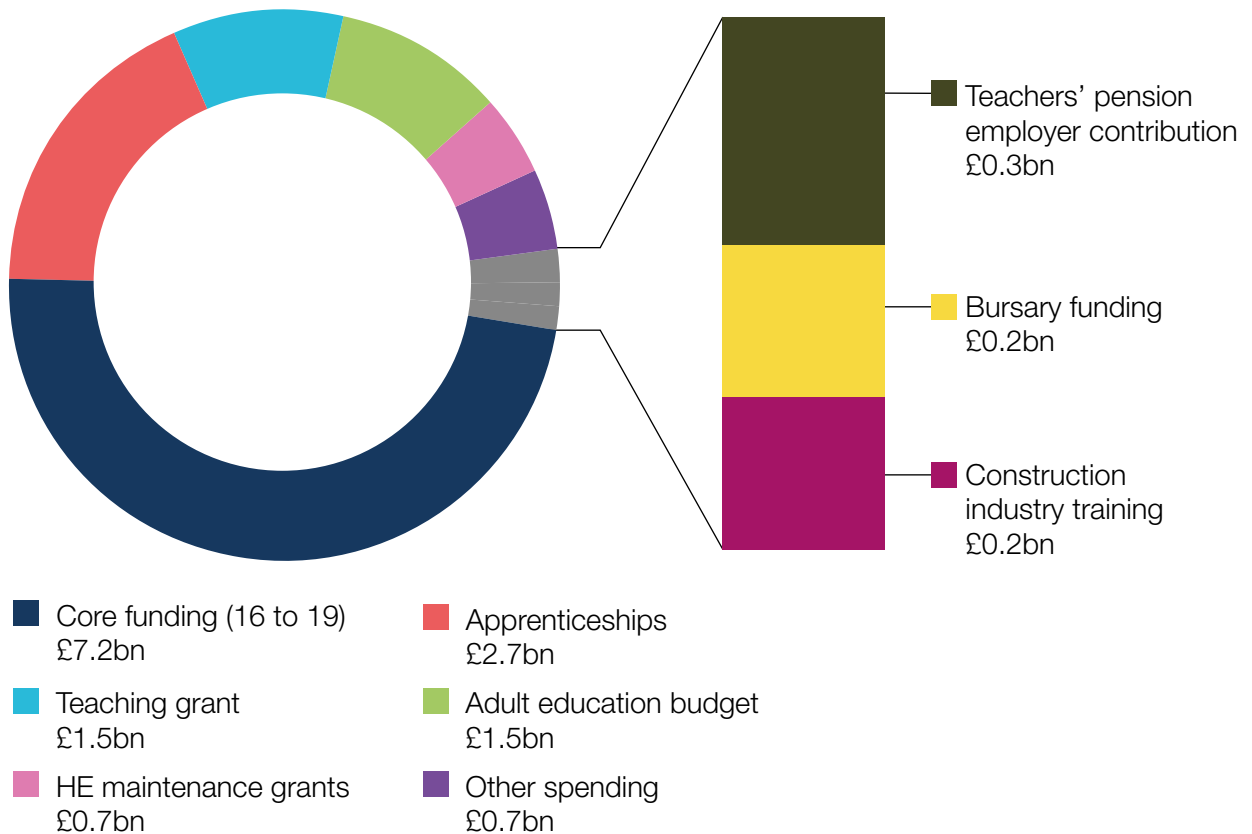


Figure 20: Breakdown of Skills Group’s resource policy funding (£15.0 billion) by major programme



Performance analysis

The Performance Analysis section of the ARA sets out the Group's performance against its objectives in greater detail than in the Performance Overview.

Performance against the Opportunity Mission

To manage our mission pillars effectively, each outcome is broken down into specific sub-objectives or activities, assigned to designated senior management members. Relevant targets and KPIs are presented alongside activities.

We also align our strategic outcomes with the United Nations Sustainable Development Goals (UN SDGs), ensuring our efforts contribute to global sustainability targets.

UN Sustainable Development Goals

The government is committed to embedding sustainable development across policymaking, estate management and procurement processes to maximise positive impacts on the economy, society and the environment. This includes addressing climate change, protecting and enhancing the natural environment, fostering a green economy, and improving operational practices. Policies will incorporate rural proofing, climate change and environmental considerations. Departments must report on their environmental impact as part of broader sustainability reporting.

The [UN SDGs](https://sdgs.un.org/goals)⁷ (17 goals comprising 169 targets) adopted in 2015 as part of the UN's 2030 Agenda for Sustainable Development aim to end poverty and promote global peace and prosperity. The government monitors and delivers the UN SDGs through departmental business plans.

We consider our activities across all of our pillars address the following UN SDGs:

- SDG 1 – End poverty in all its forms everywhere
- SDG 3 – Ensure healthy lives and promote wellbeing for all at all ages
- SDG 4 – Ensure inclusive targets and equitable quality education and promote lifelong learning opportunities for all
- SDG 8 – Decent work and economic growth
- SDG 10 – Reduce inequality within and among countries

7 <https://sdgs.un.org/goals>



Pillar 1: Best start in life



Senior responsible officer: Justin Russell, DG Families Group

The early years of childhood, where families build strong relationships and children develop foundational skills, are crucial to supporting opportunity.

This pillar aims to significantly improve child development by age 5, driving up outcomes and reducing the disadvantage gap through:

- Creating the conditions for strong familial relationships and nurturing home experiences.
- Early, appropriate and straightforward access to services, professionals and communities that provide the right support at the right time.
- High-quality early education and childcare.

Outcome KPI

Percentage of children reaching a 'good level of development' at age 5.

Target

75% of children reaching a good level of development in the early years foundation stage profile.

Year end performance

2024 results: 67.7%

Data is not yet available for 2024-25. It will be published in November 2025.

Activities

Improved access to early education

A key priority was the expansion of government-funded childcare entitlements. Since September 2024, eligible working parents have been entitled to 15 hours government-funded childcare per week for 38 weeks a year after their child turns 9-months-old. This will be expanded to 30 hours per week for 38 weeks a year in September 2025.

School-based nurseries: phase 1 of the government's commitment to create more nursery places in schools is underway. We expect to create up to 6,000 places in 2025-26, of which up to 4,000 are planned to be available by September 2025. Phase 2 is in development following the allocation of £370 million for the spending review period.

Improved quality of teaching in early years settings and reception

This includes changes to qualifications and career development opportunities, focused interventions for mathematics and language, and additional support for settings and practitioners through stronger practice hubs and increasing the early years pupil premium.

- Workforce: the experience-based level 3 route launched in March 2024 aims to help 19,000 educators develop their careers and meet staff-child ratios.
- Nuffield Early Language Intervention: continued support for 11,100 schools, through an evidence-based 20-week programme, which delivers significant progress in language skills for the children reached.
- Mathematics champions: funding approved for up to 1,810 pre-school settings in 2025/26, with evaluations indicating substantial progress in mathematics, especially for children eligible for early years pupil premium.
- Stronger practice hubs: up to £6.1 million funding confirmed to expand the programme, aiming to increase settings in hub networks to 11,500 by March 2026. Positive interim evaluation findings. Commitment to double the number of hubs in the Best Start in Life Strategy.
- Early years pupil premium: guidance published for local authorities, with rates increasing by over 45% from April 2025 to support disadvantaged children.

Stronger and joined-up family services

We continued to expand the Family Hubs and Start for Life provision, in partnership with DHSC, with over 500 Family Hubs now open across 88 local authorities. We have also been exploring how lessons from the Family Hub and Start for Life model can be used to deliver stronger services for families, improving access and support for disadvantaged families.

- Family Hubs and Start for Life: the Best Start in Life Strategy includes a commitment to a new Best Start Family Service and to extending coverage of Best Start Family Hubs to every local authority in England.
- Maternity and neonatal care: DHSC ministers are reviewing short and long-term improvement, focusing on reducing inequalities. A programme to reduce avoidable infant brain injury will start a national rollout later this year, following successful development and pilot phases.

3,000 school-based nurseries

Activity metric

Number of applications received from schools for phase 1 (641). Confirmed list of projects to be funded in phase 1 (300).

Target

300 nurseries to be funded in first phase of delivery.

Year end performance

In phase 1, there were 641 applications received from schools to open nurseries using surplus space, of which 24% was for new provision, with the remainder extending existing provision. Of these, 300 have been offered funding for 2025-26 (42% offering new provision) for a total cost of £37 million. All nurseries are expected to open by September 2026, with the first launching from September 2025.

Scoping for future phases is underway.

Childcare entitlements

Activity metric

Early years entitlement codes are unique reference numbers issued by HMRC to eligible working parents. The codes allow parents to access government-funded childcare for children over the age of 9 months and up to school age.

Target

450,000 active users of the entitlement.

Year end performance

The early years and childcare programme is being rolled out in phases:

- From April 2024, eligible working parents of 2-year-olds have been able to access 15 hours per week of early education and childcare.
- From September 2024 eligible working parents of children aged 9 months and above have been able to access 15 hours per week of early education and childcare.
- From September 2025 eligible working parents of children aged 9 months and above will be able to access 30 hours per week of early education and childcare.

The first two phases of delivery have been successful. The programme has seen strong demand for the offer with:

- 247,000 codes issued to parents and 96% of those codes validated in the summer term 2024.
- 532,000 codes issued to parents and 95% of those codes validated in the autumn term 2024.
- 544,000 codes issued to parents and 93% of those codes validated in the spring term 2025.

This has been coupled with growth in the sector. Between 2022-23 and 2023-24, the number of early years and childcare places has grown by approximately 44,000 and the number of staff working in early years has grown by approximately 20,000 staff.

Family Hubs and Start for Life

Activity metric

The 75 local authorities in the Family Hubs and Start for Life programme to deliver the programme's minimum expectations by March 2025.

Target

100% of the 75 local authorities participating in the programme.

Year end performance

Family Hubs provide access to services to improve the health, education and wellbeing of babies, children and their families. Between 2022 and 2025, £300 million has been invested across 75 of the most deprived local authorities by the Department and DHSC to establish Family Hubs with integrated Start for Life services. The funding also provides support for parents within the home learning environment. An additional £12 million has supported 13 additional local authorities through the Family Hubs Transformation Fund. Over 500 Family Hubs are now open across 88 local authorities.

89% of participating local authorities have met the programme's minimum expectations and we are working with the remainder to support them to meet expectations.

Early learning

Activity metric

Primary schools registered with Nuffield Early Language Intervention.

Year end performance

As of March 2025, a total of 11,164 English state primary schools had registered to deliver the programme, a slight increase from the previous year.

In July 2024, the number of children scoring below 85 (or well below average) in language development, having received the intervention, reduced by two-thirds benefiting over 7,000 children who would otherwise have required additional speech and language support.

In early 2024/25 the work has focused on the 222 schools with low engagement, through targeted communications and one-to-one support.





Pillar 2: Every child achieving and thriving



Senior responsible officer: Juliet Chua, DG Schools Group

Every child and young person, regardless of their background, must be able to achieve at school to develop the knowledge and skills they need for life. This means improving attainment across the board, particularly for disadvantaged children, as well as supporting children to thrive through positive environments at school, home and within their communities.

We will deliver this through:

- driving up school standards and support, with high-quality expert teachers and leaders
- improving attendance, health and wellbeing both in and out of school
- addressing inequality and an inclusive approach to SEND
- ensuring access to a broad and balanced curriculum with wider enrichment opportunities

Outcome KPIs

As set out in the government's Plan for Change, impact will be measured through [attainment](#)⁸ at the end of secondary school.

Year end performance (2023/24 data)

- average Attainment 8 score: 45.9 (decrease of 0.4 points since 2022/23)
- pupils achieving grades 5 or above in English and mathematics GCSE: 45.9% (increase of 0.6 percentage points since 2022/23)
- disadvantaged pupils: average Attainment 8 score: 34.6
- disadvantaged pupils achieving grades 5 or above in English and mathematics GCSE: 25.8%

8 <https://www.gov.uk/government/publications/progress-8-school-performance-measure>

Activities

Driving high and rising standards across every school is at the heart of our work to ensure every child can achieve and thrive. We are working to deliver this through excellent teaching and leadership, robust accountability and faster school improvement, and an inclusive system which removes barriers to learning.

6,500 additional teachers

Activity metric

Number of teachers in secondary schools, special schools and colleges.

This activity also falls under pillar 3 – skills for opportunity and growth.

Year end performance

We are delivering on our commitment to recruit an additional 6,500 new expert teachers over the course of this Parliament, confirming mainstream secondary schools, specialist schools and colleges are in scope. Measures to deliver the pledge include a focus on getting more teachers into shortage subjects, supporting areas that face recruitment challenges and tackling retention issues.

Actions taken this year include:

- Accepting in full the STRB's recommendations of a 5.5% pay award in 2024/25 for teachers and leaders in maintained schools.
- Announcing a £2.3 billion increase in core schools funding which provided an increase to per pupil spending in real terms (after using the Office of Budget Responsibility's (OBR's) October 2024 deflator).
- Announcing an additional £400 million for 16 to 19 education.
- Investing over £700 million on recruitment and retention across schools and FE, including:
 - Announcing a £233 million financial incentives package (an increase of £37 million from the previous year). This includes bursaries worth £29,000 tax-free and scholarships worth £31,000 tax-free, to encourage talented trainees to key subjects such as mathematics, physics, chemistry and computing.
 - Confirming increased retention incentives of up to £6,000 (post-tax) for eligible early career teachers in priority STEM (science, technology, engineering and mathematics) and technical subjects across schools and further education.
 - Expanding the Get into Teaching recruitment campaign across university campuses in autumn 2024.
 - Taking steps to improve teachers' workload and wellbeing, including opportunities for greater flexible working, such as allowing planning, preparation and assessment time to be undertaken remotely. Additionally, investing £2 million to support the development of an AI-powered lesson assistant to help reduce workload.

We are already seeing positive signs that our investment is starting to deliver. The workforce has grown by 2,346 full time equivalents (FTE) between 2023/24 and 2024/25, in secondary and

special schools; the schools where they are needed most. This includes 1,435 more secondary school teachers and 911 more special and pupil referral unit teachers compared to last year.

Our future school teacher pipeline is also growing. As of the end of May 2025, there are 11% more trainees who have accepted offers to train in secondary subjects, including priority subjects such as physics, where we have seen a 43% increase in acceptances compared to last year.

Mental health support in schools

Activity metric

Coverage of children and young people, and coverage of schools by NHS-funded mental health support teams (MHSTs).

Target

To reach MHST coverage of at least 50% of children and young people by 31 March 2025.

Year end performance

We met the in-year target for MHST coverage, with 5 million pupils and learners covered. This equates to 52% coverage of pupils in schools and learners in FE in England.

This year, 10,100 (41%) schools and colleges are supported by an MHST. Coverage of MHSTs at school or college level is lower than coverage at pupil and learner level due to variation in setting size and MHSTs currently working with larger education settings.

Delivery of MHST continues at pace, and assuming the average number of schools or colleges and pupils or learners per MHST remains constant, we estimate that coverage could increase to 62% of pupils and learners and 48% of schools and colleges by 31 March 2026.

Breakfast clubs

Year end performance

We have begun delivering the government's commitment to deliver universal free breakfast clubs, helping to improve pupil behaviour, attendance and attainment.

Key actions include:

- Legislating for the provision in the Children's Wellbeing and Schools Bill, requiring every state-funded school with pupils on roll from Reception to Year 6 to offer a free breakfast club.
- Tripling investment to over £30 million next year, providing:
 - Continued support to over 2,600 schools participating in the National Schools Breakfast Programme until March 2026.
 - Funding and support from summer term 2025 for over 750 early adopter schools to provide breakfast clubs, including 30 minutes of free childcare; with over 3,300 schools applying for the scheme.

- Publication of guidance and funding information in January 2025 to support the delivery of the early adopter scheme across 750 schools.

This is the first phase of the rollout, with lessons from early adopter phase informing future delivery.

Regional improvement for standards and excellence teams

Year end performance

We launched RISE teams in February 2025, who provide targeted interventions to eligible schools as well as a universal service to all schools.

Actions taken include:

- Confirmed an initial £20 million investment in teams and support.
- Announced the four national priorities for the universal service, with delivery plans in development:
 - attainment (with a focus on English and mathematics)
 - inclusive mainstream
 - reception-year quality
 - attendance
- Delivery of 100 attendance conversations with school responsible bodies during February and March 2025. In parallel, attendance conferences were held throughout March 2025 in each region, attended by over 2,200 delegates and generating positive feedback.
- Work is underway to provide targeted interventions to an initial cohort of eligible schools. RISE advisors have engaged with most schools to consider specific improvement needs, with RISE teams beginning the work to match those needing support with a supporting organisation.

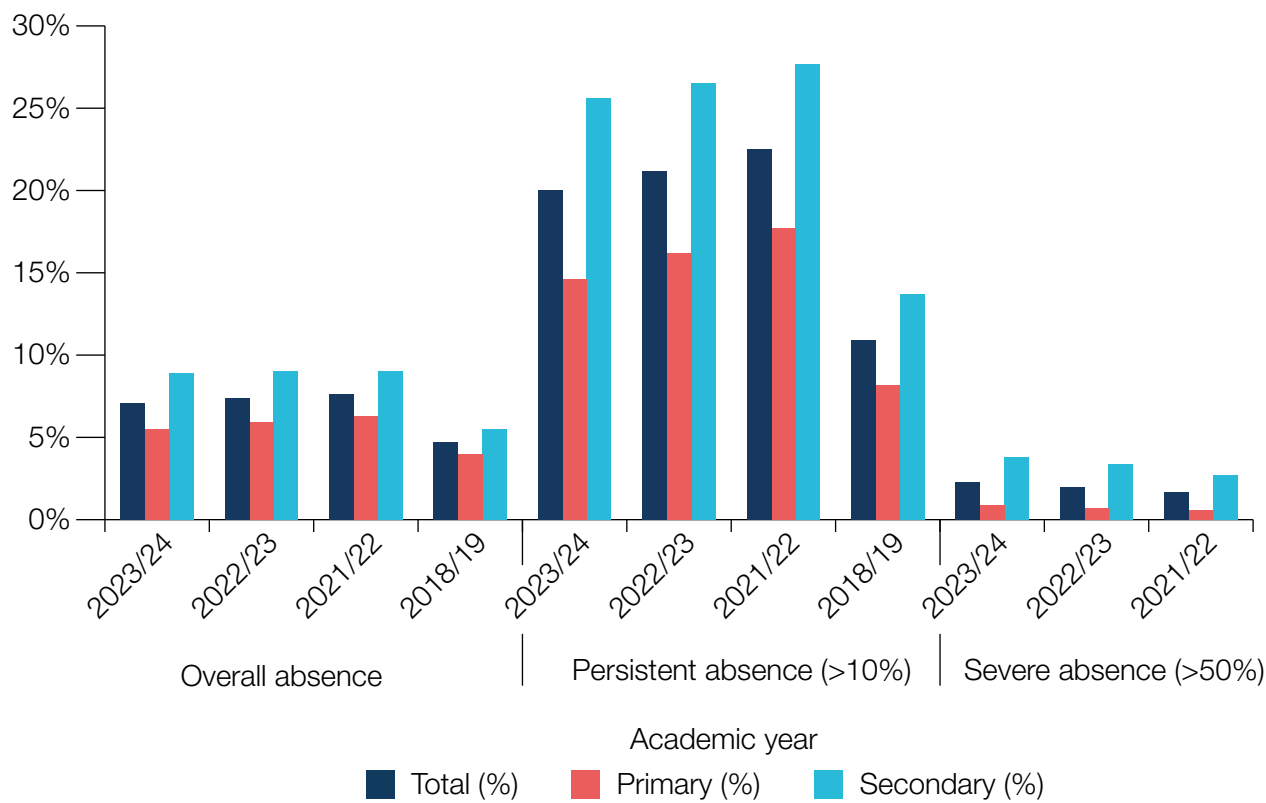
Preparations for the April 2025 targeted intervention cohort are underway, covering at least 170 more schools. We will assess these schools through the 2025 summer term, match supporting organisations and develop improvement plans.

Attendance

Year end performance

Work to tackle school absence has continued this year, building on our existing work to strengthen the attendance-system response.

We are seeing improvements in attendance nationally and across every sector. The 2023/24 data show overall absence and persistent absence both down from 2022/23 but a slight increase in severe absence. The primary sector is making steady gains with both overall and persistent absence. The secondary sector is seeing slower improvements.

Figure 21: Overall absence, persistent absence, and severe absence

A pupil is identified as persistently absent if 10% or more of possible sessions are missed, and severely absent if 50% or more of possible sessions are missed. Overall absence is the total number of sessions missed due to absence for all pupils. A school day is split into separate morning and afternoon sessions.

Note the gaps in the data between academic years 2018/19 and 2021/22 due to COVID-19 disruption.

Actions taken include:

- Our Working Together to Improve School Attendance guidance is now statutory, with mandatory daily attendance data submissions. Through improvements in our data tools and provision to the sector, schools can now track attendance in a more granular way enabling them to quickly intervene.
- Hosted nine regional conferences with a focus on practical strategies to improve attendance, sharing good practice and absence analysis.
- Expanded the attendance mentor programme to reach 10,000 more persistently absent children and cover an additional 10 areas, reaching 15 local authorities and in total supporting 12,465 pupils.

Further support includes the introduction of universal breakfast clubs and continued emphasis in the Ofsted reforms, including the new framework and annual checks.

Accountability

Year end performance

We are advancing reforms to strengthen accountability, raising expectations and school inspection granularity. This has included delivering on the government's manifesto commitments to abolish Ofsted single headline grades and introduce RISE teams.

Actions taken include:

- Announced the removal of single headline grades from Ofsted's school inspections from September 2024.
- Published our consultation on school accountability reform covering accountability principles, profiles and a stronger approach to improvement through intervention for state schools across England. This included proposals to establish RISE teams. In parallel, Ofsted published its consultation on inspections reform and report cards. These consultations closed at the end of April 2025.

Subject to the consultation outcomes, reformed inspections and school report cards are expected to be introduced from November 2025.

SEND and AP reform

Year end performance

Our ambition is that all children and young people with special education needs or in AP receive the right high-quality support to succeed in their education and beyond. Our focus is on improving inclusivity and expertise in mainstream schools, as well as ensuring special schools meet complex needs.

Actions taken include:

- Committed funding to 17 local authorities for innovative short breaks for children and young people with SEND, improving health, education and wellbeing outcomes. The programme exceeded targets and showed improvements in outcomes and attendance, indicating participants are more likely to remain in mainstream settings. The Support for Families with Disabled Children programme supported over 65,000 families this year, awarding over 80,000 grants.
- Implemented and tested reforms under the change programme, providing insights into good practice, informing our thinking about effective inclusive mainstream practice and understanding the challenges.
- Delivery of early language support for every child in nine pathfinder sites, one in each English region, covering 12 local authorities. Therapy support teams have helped 13,000 children so far and upskilled over 1,000 staff in delivering interventions.
- 19 areas are embedding or implementing changes to their AP services in line with a range of support models and have also drawn on the learning from Alternative Provision Specialist Taskforces; and support to set up their own taskforces.



Pillar 3: Skills for opportunity and growth



Senior responsible officer: Julia Kinniburgh, DG Skills Group

Skills are essential to deliver the Plan for Change: driving economic growth, breaking down the barriers to opportunity and ensuring the supply of skilled workers to deliver the government's missions. As young people move into adult life, they must have high-quality pathways through further and higher education with a clear line of sight to employment, including through technical training.

Our ambition for this pillar is to deliver a world-leading skills system to unleash growth and break down barriers to opportunity; underpinned by a national view of skills needs, high-quality courses for all young people, a clear system for adults to retrain and a new social contract with employers. We will do this through:

- Increasing the quality and quantity of education and training that meets economic need.
- Making better use of data to help learners and employees make more informed choices that boost their outcomes.
- Driving up employer engagement in training.

Outcome KPIs

Share of 16 to 17-year-olds participating in education and apprenticeships

Year end performance

89.0% (2024 data). The rate has increased slightly from 2023.

Skills shortage vacancies density

Year end performance

36% skills shortage vacancies as share of all vacancies. New data for 2024 which will set baseline for future due to be released later in 2025.

Activities

We will deliver a skills system that enables every young person to follow the pathway that is right for them and creates a clear system for adults to retrain and upskill. Whether through high-quality apprenticeships, or education or training in colleges or universities, skills give people the power to seize opportunity. We will do this by:

- Skills England assessing national skills needs and bringing together partners in the system to address those needs.
- Replacing the apprenticeships levy with a new growth and skills levy, which will offer greater flexibility to employers and learners through shorter apprenticeships, foundation apprenticeships and new short courses that support the Industrial Strategy.
- Delivering the Youth Guarantee, starting with eight trailblazer areas, to ensure support for 18 to 21-year-olds to access education and employment with tailored and local interventions.

Skills England

Activity metric

Establish Skills England (SE) as an executive agency and be operational by July 2025.

Target

Skills England fully established and operational by July 2025.

Year end performance

On 22 July 2024, the Prime Minister announced the creation of SE to build a highly trained workforce aligned with the national, regional and local skills needs and the Industrial Strategy.

The first [SE report](#)⁹ outlined the role of SE, key skills challenges it faced and an initial assessment of current and future needs in the economy. Over autumn 2024, Skills England built on this analysis with employer and stakeholder engagement.

SE initially operated in shadow form within the Department, with Richard Pennycook appointed as the interim Chair. The IfATE (Transfer of Functions etc) Bill, introduced to Parliament on 9 October 2024 and granted Royal Assent on 15 May 2025, enabled the transfer of functions and staff from IfATE to SE.

SE leadership was confirmed in February 2025: Phil Smith CBE as Chair, Sir David Bell as Vice-Chair and Sarah Maclean and Tessa Griffiths as joint Chief Executives. In May 2025, SE announced its other board appointments.

SE was formally established and made operational as an executive agency of the Department on 2 June 2025, and the Secretary of State confirmed SE's priorities through publishing a [letter](#)¹⁰ to SE's joint chief executives. This letter sets out that SE will identify skills gaps across the economy, including in priority sectors, and use this insight to drive improvements. SE will also work with the Department and across government to bring the skills system together so that people and employers can benefit from the training they need to succeed.

9 <https://www.gov.uk/government/publications/skills-england-report-driving-growth-and-widening-opportunities>

10 <https://www.gov.uk/government/publications/skills-england-priorities-2025-to-2026>

On 2 June 2025 SE published its [second report](#)¹¹ which included the findings of analysis and engagement with sectors on the growth and skills offer, and skills needs assessments for ten priority sectors.

The assessments identified recurring themes and similarities across each sector in relation to priority jobs, skills and training routes (with a particular focus on apprenticeships). Feedback supported the government's introduction of shorter apprenticeships and foundation apprenticeships. The report then identified key gaps in the current apprenticeships and skills offer and potential ways to address them to secure the future workforce.

In 2025-26, SE will co-design new approaches with industry and regional partners to improve the skills of our workforce, collaborating with a wide range of interested parties across the skills system, including Devolved Government counterparts where appropriate. SE will continue to work proactively with strategic authorities and local leaders to help co-create solutions that respond to national priorities, skills gaps, and local labour market needs, and ensure we spread growth and opportunity to all of our regions.

Growth and skills offer

Activity metric

Initial rollout of new levy-funded products for September 2025 following the conversion of the apprenticeship levy into the growth and skills levy.

Target

New products to be rolled out in Autumn 2025.

Year end performance

In September 2024, the government committed to introducing the growth and skills levy to replace the apprenticeships levy, offering greater flexibility to employers and learners and supporting the Industrial Strategy. In August 2025, foundation apprenticeships will be launched for young people in targeted sectors, as well as shorter duration apprenticeships (reducing the minimum duration of an apprenticeship to eight months). These flexibilities will help more people learn new high-quality skills at work and fuel innovation in businesses across the country.

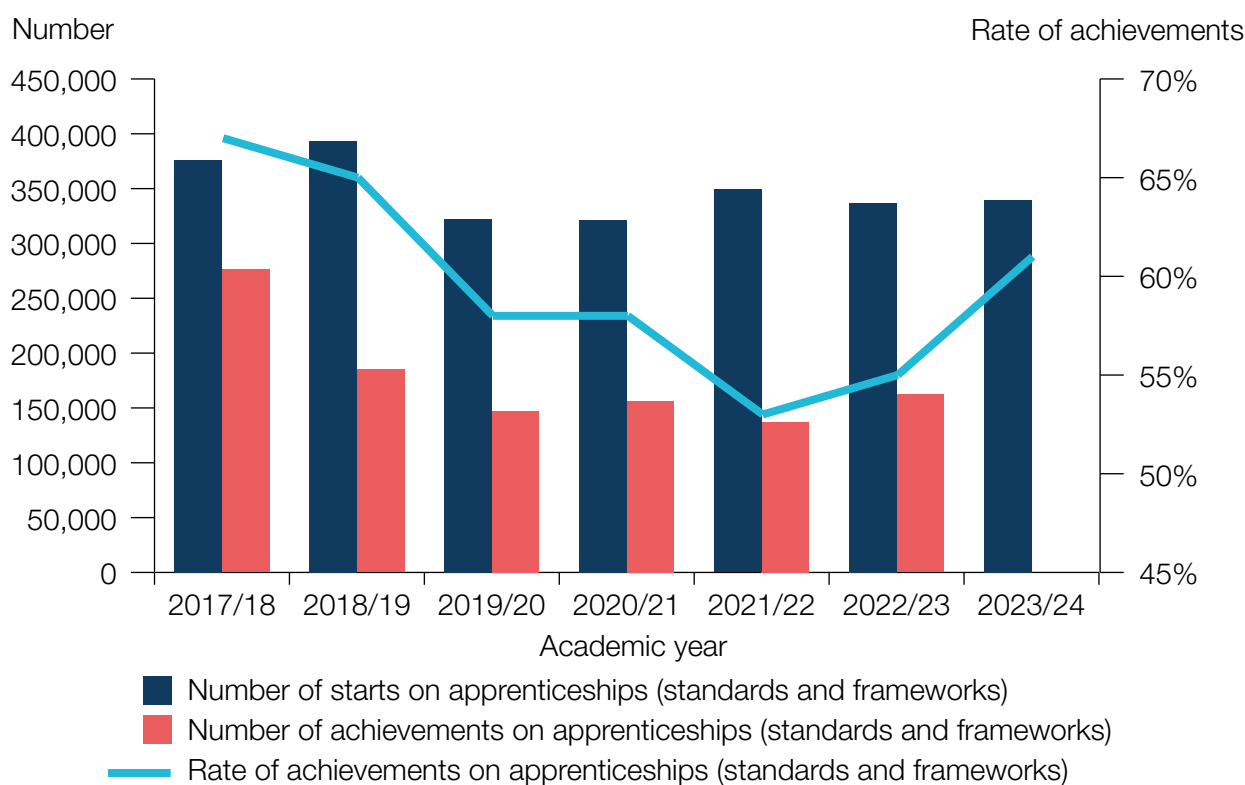
In June 2025, as part of the government's Industrial Strategy, we announced the introduction of short courses in England, funded through the growth and skills levy, in areas such as digital, artificial intelligence and engineering. These will support Industrial Strategy sectors such as in creative industries and advanced manufacturing from April 2026. We are working with Skills England to determine the courses which will be prioritised in the first wave of rollout and subsequent waves, and how those sit alongside apprenticeships and other training routes. We will work with Skills England to introduce these short courses and consider how to prioritise investment across the programme.

11 <https://www.gov.uk/government/publications/skills-england-skills-for-growth-and-opportunity>

To support delivery we are also simplifying systems and reducing bureaucracy. Since February 2025, English and mathematics level 2 qualifications are no longer required for apprentices aged 19+ to complete their apprenticeship. Assessment reforms announced in the same month will also streamline processes by enabling flexibility, ensuring assessment is proportionate.

In February 2025, we launched the Your Apprenticeship app to support apprentices. This was designed with extensive input from learners and provides easier access to essential tools, resources and support that apprentices need during their programme. We have also updated the Apprenticeship Service to enable providers to undertake administrative tasks on behalf of small employers, which has resulted in improved small and medium-sized enterprise participation and satisfaction in the service.

Figure 22: Number of apprenticeship starts, and number and rate of achievements on apprenticeships



In 2023/24, the apprenticeship achievement rate reached the highest level since 2018/19, with an increase of 5.9 percentage points compared to 2022/23, to over 60%.

Referenced data is available for [apprenticeships](https://explore-education-statistics.service.gov.uk/find-statistics/apprenticeships/2024-25).¹² Apprenticeship achievement means an apprentice has completed their apprenticeship term and passed the end point assessment. Apprenticeship frameworks were the earlier iteration of apprenticeships. Apprenticeship standards were introduced in 2014 and are designed by employers. Since August 2020 all apprenticeship starts have been on standards not frameworks. Standards are more rigorous and difficult to achieve than the frameworks they replaced. The proportion of apprentices on standards has increased from 46% in 2019/20 to 99% in 2023/24.

¹² <https://explore-education-statistics.service.gov.uk/find-statistics/apprenticeships/2024-25>

Youth guarantee

Activity metric

Launch eight trailblazers in Spring 2025.

Target

Launch to time.

Year end performance

The primary goal is to reduce the number of young people (aged 18 to 21) who are not in education, employment or training (NEET) by providing comprehensive support and opportunities.

[Labour Force Survey](#)¹³ estimates for England show 837,000 16 to 24-year-olds (based on academic age) were NEET between October and December 2024, an increase of 103,600 since last year.

As outlined in the [Get Britain Working White Paper](#)¹⁴, the government is investing £45 million to launch a series of eight place-based youth guarantee trailblazers. Led by mayoral authorities, they will test new ways of supporting young people into employment or training, by enhancing and aligning existing programmes locally. Mayoral strategic authority proposals for the trailblazer plans were received in February 2025. Following review, the eight authorities were issued with grant funding agreements in April 2025.

Developed with the DWP, the youth guarantee will provide tailored support to eligible 18 to 21-year-olds to ensure they can access training opportunities, an apprenticeship or employment support. It will also strengthen support for 16 to 17-year-olds who are at risk of, or have, disengaged from education and learning.

The trailblazers were officially launched on 23 May 2025 and have now begun delivery on their proposed plans. Each area will deliver interventions according to local need and specific cohorts of young people.

They will trial new approaches to bringing together existing and new services for those at risk of or who are currently not in employment education or training, (NEET). These include:

- Partnerships with local employers to prioritise jobs and learning opportunities for the Youth Guarantee cohort, creating a bank of opportunities.
- 1:1 intensive support from specialist youth workers to support those who face multiple barriers or may be further away from accessing work and training.
- Holistic support for those who are further away from being able to prioritise training and employment such as integrated mental health and housing support.

¹³ <https://explore-education-statistics.service.gov.uk/find-statistics/neet-statistics-annual-brief/2024>

¹⁴ <https://www.gov.uk/government/publications/get-britain-working-white-paper/get-britain-working-white-paper>

- New digital platforms so that pathways to education and training are clearer, more accessible and tailored to local priority sectors as well as more in-person hubs where young people can access support face to face.
- A focus on transition points for those leaving college and for those who may experience more than one transition point such as care leavers, those with SEND and those who have previously accessed alternative provision.
- A strong emphasis on careers advice, work placements and mentoring throughout school and college.
- Coordination of services and referral pathways through better data and information sharing.

The trailblazers represent the first phase of delivering the wider Youth Guarantee. We will use the lessons from the current trailblazer areas to inform what works to support 18 to 21-year-olds gain meaningful education or employment.

6,500 additional teachers

Activity metric

Number of teachers in secondary schools, special schools and colleges.

This activity also falls under pillar 2 – every child achieving and thriving, where information on performance is provided.





Pillar 4: Family security – keeping children safe and tackling child poverty



Senior responsible officers: Justin Russell, DG Families Group (Keeping Children Safe) and Tony Foot, DG Strategy Group (Tackling Child Poverty)

Working across government, the pillar will remove the underlying barriers to opportunity that mean people struggle to have their most basic needs met. What happens in the home is a key driver of school experiences and attainment, and influences choices and outcomes post-16.

This pillar aims to improve outcomes for children by reducing the likelihood of emotional and physical harm and tackling child poverty. This will relieve pressure across the education and CSC system and enable children to learn and thrive.

Action on child poverty is being driven by the new cross-government Ministerial Child Poverty Taskforce, co-chaired by the Secretary of State for Education and the Secretary of State for Work and Pensions.

Outcome KPIs

More children stay safely with families

Target

A reduction in the number of children in care.

Year end performance

There were 76,250 children in care (non-unaccompanied asylum-seeking children (non-UAS children)) on 31 March 2024. Numbers of children in care have risen over the last decade but plateaued in recent years. There were 76,360 non-UAS children in care last year.

Proportion of children living in relative poverty (after housing)

Year end performance

31% of children live in relative poverty (after housing).

Activities

Under the previous government's 'Stable Homes, Built on Love' strategy, we launched a series of CSC reforms, including launching the Families First for Children (FFC) pathfinder, expanding the family finding, befriending and mentoring programmes, investing in training and support for kinship carers and a fostering recruitment and retention programme.

Following the general election, we have committed to whole-system reform of CSC as set out in [Keeping Children Safe, Helping Families Thrive](#)¹⁵, with over £300 million of new funding for next year, including additional funding to enable the national rollout of reforms that have been tested through the pathfinder areas. We have set clear conditions on prevention funding, established the Families First Partnership programme to support local delivery of family help, multi-agency safeguarding and child protection teams, and family group decision making. We are also delivering an extensive and ambitious package of legislative reform through the Children's Wellbeing and Schools Bill.

The Child Poverty Taskforce has been progressing work to publish a child poverty strategy later this year. The strategy will focus on four key themes: increasing incomes, reducing essential costs, increasing financial resilience and better local support, focused especially on children's early years. The strategy complements wider reform plans across UK government and devolved governments.

A rolling programme of meetings between the taskforce and experts support the strategy development process, including expert-led thematic sessions.

Families First for Children

Activity metric

Implement reform models to increase effective, preventative multi-agency support and protection services in ten pathfinder areas by March 2025, to inform national rollout of reforms to family help, multi-agency child protection and family group decision making.

Target

Reform models set up in ten local authorities.

Year end performance

Reform models are being tested in ten areas (Dorset, Lewisham, Lincolnshire, Luton, Redbridge, Walsall, Warrington, Warwickshire, Wirral and Wolverhampton).

Insights from the FFC pathfinder are shaping a national learning strategy to support national reform and transformation in 2025/26. This includes guidance documents and multi-agency learning events, to raise awareness and encourage buy-in across local safeguarding partners, including police, health and education.

While it is too early to measure the impact of the programme, an independent evaluation is focused on implementation and process-related insights, including workforce expectations.

¹⁵ <https://www.gov.uk/government/publications/keeping-children-safe-helping-families-thrive>

The first report will be published in summer 2025. Emerging views from discussions with the pathfinders highlight:

- Buy-in to the strategic direction of the programme across delivery teams and senior leaders, with a strong understanding of the pathfinder model.
- Early, consistent communication from senior leads received positive feedback and is key to driving engagement.
- Positive progress in multi-agency collaboration and data sharing, with multiple examples across police, health, schools and local authorities.

A key learning from the programme is the need for clear guidance on roles, responsibilities and time commitments, especially partners in police, health and education.

Fostering recruitment and retention

Activity metric

Expansion of the regionalisation of foster care recruitment to allow local authorities to collaborate, rather than compete, to recruit more foster care households.

Target

Establish ten regional foster care recruitment hubs covering 95 local authorities across England.

Year end performance

The ten regional fostering recruitment and retention hubs have now been set up.

As part of the Chancellor's transformation fund announced in the 2025 Spring Statement, an additional £25 million over two years (beginning in 2026-27) was allocated to continue foster care reforms. This is additional to the £15 million of fostering investment that was announced in the Autumn Budget to cover investment taking place in 2025-26.

Single unique identifier

Activity metric

Launch single unique identifier for children.

Year end performance

The Children's Wellbeing and Schools Bill is on track to gain Royal Assent in autumn 2025, with procurement of pilot delivery partners on track for completion by end of the calendar year.

This year, we launched a multi-agency information-sharing programme to deliver the manifesto commitment to prevent children and families falling through the cracks. A key component is introducing a single unique identifier for children, supported by several strands:

- Enhanced child protection information-sharing service to reduce the burdens on local authorities when sharing social care information with health.

- A data standards programme to develop and standardise the ways for collecting, using and sharing data. This should help make sharing safeguarding data easier and reduce burdens for social workers and local authorities through improved automation and integration with AI tools.
- Discovery work to shape the piloting of a single unique identifier, including the setting up with a local authority partner.
- Somerset's local authority funded to build on their work for the data and digital solutions fund, in creating a suite of templates for safeguarding partners to use to implement data sharing arrangements. These are available on the local authority's website.

Kinship

Activity metric

Deliver 4,000 training instances to kinship families.

Year end performance

In partnership with Kinship, we are delivering a national package of training and support accessible to all kinship carers across England. Between January 2024 and March 2025, over 4,300 training instances were delivered, exceeding our target of 4,000. The contract has been extended to March 2026 to continue this service.

In October 2024, we appointed the first National Kinship Care Ambassador who advocates for kinship children and their families across government. They also work alongside local authorities to help them improve practice and aligning with national guidance. We published new statutory guidance, outlining the support and services local authorities should provide to kinship families, with legislation underway to make it mandatory to publish this offer in a clear, accessible way. In addition, the role of virtual school head was expanded to include championing the education, attendance and attainment of children in kinship care.

Through the Children's Wellbeing and Schools Bill, we are mandating an offer of Family Group Decision Making for all families reaching pre-proceedings stage, and through the FFC programme, we are encouraging the greater use of family networks at an earlier stage.

The kinship allowance pilot is expected to enter delivery in autumn 2025.

Key risks and issues

Principal risks are those that, if materialised, would significantly impact our Departmental objectives. Each risk (or issue, if the risk has materialised) is owned by a director general, managed day-to-day in the relevant director's area, and monitored through our corporate governance structure. Further information on our [Risk and issue management framework](#) can be found in the Accountability Report.

Several risks identified in last year's ARA (local authority financial challenges, social worker capacity and looked after children placement market failure) are now managed at a lower level following a reassessment of their risk ratings. While the risks are still present, they are no longer considered principal risks so cease to be disclosed here.

This year, five principal risks or issues are reported against six last year. Ratings for schools and further education workforce, education estates and cyber security remain stable and unchanged from March 2024. High needs cost pressures have worsened and materialised into an issue. The risk of higher education financial failure is a new principal risk, escalated to the top-tier this year.

Table 3: Principal risks or issues managed during the year

| No | Risk | March 2024 rating | March 2025 rating | Direction |
|----|---|--------------------------|------------------------|-------------|
| 1 | Schools and further education workforce | Major issue | Major issue | Stable |
| 2 | High needs cost pressures | Critical – Very likely | Major issue | Worsening |
| 3 | Education estate | Critical – Very likely | Critical – Very likely | Stable |
| 4 | Higher education financial failure | Escalated September 2024 | Critical – Very likely | New in year |
| 5 | Cyber security | Critical – Likely | Critical – Likely | Stable |

The trajectories of the principal risks follow.

Risk 1 – Schools and further education workforce

Business group owners

Schools Group and Skills Group

Risk profile across the year

Stable

Risk description

There is a risk that schools and colleges are unable to recruit and retain sufficient quality teachers, impacting delivery of the government's Opportunity and Growth Missions.

Causes

There is a wide range of factors affecting teacher recruitment and retention in schools and FE sectors, including competitiveness of salaries relative to other occupations, teacher workload and availability of flexible working. Recruitment and retention challenges are particularly acute in FE generally and in certain subjects (eg STEM) in both schools and FE.

Mitigating actions

We are committed to recruiting an additional 6,500 new expert teachers across secondary schools, further education settings and special schools over the course of this Parliament.

Following the September 2024 5.5% pay award for teachers and leaders in maintained schools, we are seeing positive signs that our programmes are making a difference in schools. There are 2,000 more secondary school teachers in training this year compared to last, and 2,500 more primary and secondary teachers are forecast to stay in teaching over the next three years. The June 2024 school workforce census shows an additional 2,300 teachers (full time equivalents) employed in state-funded secondary and special schools. In schools, a £233 million initial teacher training financial incentives package was announced for the 2025/26 recruitment cycle.

We are investing over £400 million more in 16 to 19-year-old education for the financial year and have made approximately £50 million of this funding available to colleges for April to July 2025 to respond to current priorities, such as recruitment and retention. We continue to provide bursaries to prospective teachers to undertake high-quality initial teacher education, and we are attracting and training industry experts to teach in FE through the Taking Teaching Further programme.

Across both schools and colleges, we are providing targeted retention incentives worth up to £6,000 after tax for early career teachers in shortage subjects, and we are expanding our marketing campaigns 'Every Lesson Shapes a Life' and 'Share your Skills' to attract new teachers. We are improving teacher workload and wellbeing through a range of resources.

Through the [Improving Education Together](#)¹⁶ partnership with employers and unions we are collaborating on ways to improve workforce retention. Together the key stakeholders propose, develop and implement policy to improve education, value education professions and boost opportunity for all.

Risk 2 – High needs cost pressures

Business group owner

Schools Group

Risk profile across the year

Worsening

Risk description

There is a risk that, despite substantial real terms increases in high needs funding, high needs cost pressures continue to increase which could result in some local authorities becoming insolvent, citing SEND pressure as a contributing factor.

Children, young people and their families continue to face a SEND system that does not meet their needs and for which cost pressures to the high needs budget increase further, contributing to local authorities' financial issues. The government has announced some immediate measures to improve the SEND system as well as committed to broader reforms.

¹⁶ <https://www.gov.uk/government/groups/improving-education-together-iet>

Causes

Funding pressures on SEND and AP continue to escalate and we recognise that local authorities will need support through the transition to a reformed SEND system. The government will commence a phased transition process which will include working with local authorities to manage their SEND system, including deficits, alongside an extension to the Statutory Override until the end of 2027-28. We will provide more detail by the end of the year, which includes a plan to support local authorities with both historic and accruing deficits.

Mitigating actions

Through the Plan for Change, the government is committed to improve the education and care systems to make sure that children, young people and their families receive high quality support through the SEND system, in both mainstream and specialist settings. These improvements aim to restore parents' trust that their child will get the right support, and that it will improve their outcomes as a result. At the same time reforms aim to relieve pressure on local government finances.

The government has already announced measures to improve inclusivity in the education system. In addition to significantly increasing real terms funding for high needs we are working with local areas to make sure they are taking action now to deliver more financially sustainable services, based on lessons learned from the Delivering Better Value programme and What Works in SEND programme's identification of effective practice.

Additionally, the change programme's 32 local areas are testing and disseminating the learning from a range of inclusive mainstream programmes and practice models, eg the early language support for every child and partnership for inclusion of neurodivergence in schools, allowing children to receive the support they need quickly. This learning and practice alongside the insights and emerging lessons from the expert advisory group's inclusion in practice initiative demonstrate that there are areas that are working towards management of any existing deficits while delivering effective services.

Risk 3 – Education estate

Business group owner

Operations and Infrastructure Group

Risk profile across the year

Stable

Risk description

There is a risk of building or building element failure in the publicly-funded estate resulting from structural safety issues.

Causes

While general deterioration of building condition increases the risk of building failure, which can be exacerbated by climate change, of greatest concern are buildings constructed post-1945 that use materials or designs that are past their intended design life and could be subject to defects that increase the risk of failure. If buildings have not been carefully monitored and maintained by responsible bodies, the risk of structural failure increases.

Mitigating actions

There has not been a structural incident of which the Department is aware that has caused injury or harm to pupils or staff in the year. At the time of publication, there are no open schools or college buildings where we know of an imminent risk of harm.

The Department supported responsible bodies to put in place measures to mitigate the presence of reinforced autoclaved aerated concrete (RAAC) in school and college buildings. RAAC is being permanently removed either through grant funding to the responsible body or through the school rebuilding programme. We continue to provide funding, guidance and support to the sector for maintaining the estate in a safe and operational condition.

The Department is conducting research into structural risks in the post-war education estate. The objective is to establish the most prevalent building safety risks in the estate, so resources can be effectively targeted to mitigate the risk.

We continue to gather data and intelligence on the condition of the education estate, including through our Condition Data Collection 2 programme, which is due to conclude in 2026.

We have several programmes and communication channels so we are proactively aware of any serious condition issues in the estate and can quickly support responsible bodies to address them.

Risk 4 – Higher education financial failure

Business group owner

Skills Group

Risk profile across the year

New as a principal risk this year

Risk description

There is a risk that financial failure of a higher education provider impacts students, the sector and the economy.

Causes

Prior to this financial year tuition fees had fallen in real terms. OfS has assessed that 45.2% of higher education institutions forecast a deficit in 2024/25.

Mitigating actions

The government announced in November 2024 that domestic tuition fees would rise by 3.1%, the first increase since 2017, to help put the sector on a more secure footing.

Through OfS, we are refocusing efforts on monitoring financial sustainability and have communicated clearly to the sector that many providers will need to take increasingly bold action to address the impact of challenges on their financial position in the short, medium and long-term.

The Department will publish a plan for higher education reform later in 2025.

Risk 5 – Cyber security

Business group owner

Operations and Infrastructure Group

Risk profile across the year

Stable

Risk description

There is a risk that a cyber-attack or security breach could result in a loss of access to critical systems and services, and a loss of critical departmental data.

Causes

The overall operating environment remains hostile, with an increase in the frequency and sophistication of cyber-attacks targeting the government observed throughout the year. The prognosis is a continuing deterioration of the threat landscape. As a result, the threat to government remains substantial and a critical cyber event remains likely.

Mitigating actions

We have an agreed approach in the event of an attack and processes to ensure communication lines are consistent between all areas. We have tested this approach in simulations of cyber-attacks and will continue to conduct these exercises within immersive environments. We will continuously review responses arrangements and playbooks.

We have arrangements with other providers to enhance security in key periods and will continue to liaise with these providers to raise awareness and encourage contingency planning.

We will continue to conduct staff phishing awareness exercises, the results of which have been continuously strong. We will also harness other innovative methods to foster a cyber secure culture.

Fraud and error

Table 4: Performance in fraud and error prevention over the past four years

| | 2024-25 (Q1 and Q2) | 2023-24 (full year) | 2023-24 (Q1 and Q2) | 2022-23 | 2021-22 |
|----------------------------|------------------------|------------------------|------------------------|---------|---------|
| | £m | £m | £m | £m | £m |
| Detected error | 13.8 | 72.3 | 36.4 | 39.1 | 47.2 |
| Detected fraud | 19.2 | 12.6 | 6.1 | 58.2 | 22.0 |
| Recoveries fraud and error | 16.5 | 66.8 | 27.5 | 17.0 | 47.3 |
| Prevented fraud | 50.8 | 104.1 | 3.1 | 51.6 | 19.7 |

In the table above we present updated values for the prior year, adding the final two quarters to the values disclosed last year. We work to Public Sector Fraud Authority's (PSFA's) reporting timeline which is lagged to the ARA reporting timetable. The final prior year figures were approved in December 2024.

The current year performance represents provisional data for the first two quarters only. The change to the definition of prevented fraud applicable from last year's full year position means that there is less comparability between that data and earlier periods.

Detected error

Detected errors are where incorrect payments occur but excludes instances of error that were prevented after the point of detection. Errors reported here include where fraud cannot be determined or wrong or incorrect payments are made to recipients (such as overpayments).

Last year, two errors recorded were anomalous (including £13.6 million from the resolution of a long running investigation) and together totalled £25.5 million, bringing the detected error figures much closer together.

Detected fraud

Detected fraud are instances where payments were made, where we judged post-payment there was an intention to defraud. This category does not include instances of fraud that were prevented from payment after the point of detection since no payments were made.

Recoveries fraud and error

Recoveries predominantly relate to error rather than fraud and are typically a result of control failure or procedural lapse. Detected errors are usually quickly and easily recovered as our transactional counterparty base is broadly stable and in receipt of regular funding from which to recoup amounts due. Recovery values disclosed in Table 4 are based on the date recovered not the date of the incorrect payment.

The sharp increase in recoveries for 2023-24 was partially linked to the historic error loss investigation and other anomaly mentioned above and the recovery of those funds. Errors tend to be recovered quickly and the increase in detected error will drive increased recoveries though these may on occasion be recovered across financial years.

Prevented fraud

Last year, the Cabinet Office, with approval from PSFA's prevention panel, updated the definition of 'prevented fraud'. This new definition now includes both 'prevented actuals' (losses that would have occurred immediately) and 'future loss preventions' (losses that would have occurred within the next twelve months had action not been taken). This change is responsible for the uplift in prevention performance from both 2022-23 and last year's Q1 and Q2 values. The prior year's Q1 and Q2 value for prevented fraud recalculated to match the current approach is £34.6 million.

Addressing fraud and error in higher education

In a March 2025 article for The Sunday Times, the Secretary of State addressed serious concerns regarding fraud and error in the higher education sector, particularly within franchised university provision. Organised abuse of the student finance system had been

uncovered at a small number of providers. These cases exposed systemic weaknesses, including inadequate oversight of the expanded number of university partnerships with franchised bodies and financial instability within the sector.

To restore integrity and public confidence, the Secretary of State outlined a robust response. This includes collaboration with PSFA, empowering us to investigate fraud more effectively, and introducing legislation to strengthen OfS's regulatory powers. These actions form part of the government's wider Plan for Change, aimed at safeguarding public funds and driving up standards in higher education.

Estimation of errors

In addition to the counter fraud team, the Group also has a dedicated assurance team that address errors and provide assurance over the regularity of the Group's spending. More details, including an annual assurance assessment, can be found in the [Regularity](#) section of the Accountability Report. We have reviewed our significant spending activities and made estimations, including extrapolations, of possible errors. Significant activities are:

- adult education budget
- 16 to 19 funding
- apprenticeships training
- student support
- post-16 funding
- academy and schools funding

Across these activities we have quantified potential errors at £369 million. A separate assessment for student loans quantified potential error in student loans at £327 million. This is separate to the £21 million of grant overpayments to students made in the year.

Our estimation of the error is different to the one reported by the external auditors in the Certificate and Report of the Comptroller and Auditor General, as the auditors perform their own calculation of the estimated error based on their audit work using different assumptions and judgements.

Strategic enablers

Workforce, skills and location

Our DfE Behaviours (we are kind, we are direct, we simplify and we connect) provide the foundations and guiding framework for all our work to support and grow our workforce. Our DfE Behaviours underpin the actions we are taking to build a department that is more agile, mission-focused and productive.

As a department, we have role modelled our DfE Behaviours and worked together to provide a solid foundation to successfully deliver the Opportunity Mission, providing excellent services for children and learners.

To help us achieve our aims for our workforce, this year we launched our People Strategic Plan (PSP) for 2024-27. We have ensured that the Department continues to be a great and supportive place to work, with high standards and accountability. Through the actions set out in the PSP, we continue to attract, develop and retain the very best talent and ensure the Department's environment supports staff to perform at the highest standards. Ensuring our staff experience our organisation as a place, where they feel a sense of belonging, where they can thrive and be supported to perform at their best, remains a key priority for us. Being inclusive and developing brilliant leaders and managers are themes that run throughout our PSP.

Evolving as a more agile organisation is critical to achieving our strategic objectives to deliver the Opportunity Mission. This year, we have worked towards becoming a smaller, more efficient department, promoting agile ways of working to ensure we deliver our priorities. Through workforce planning, we have reduced in size by 4.7% whilst ensuring that we retain a skilled workforce through focusing recruitment on the specialist skills that we need.

Being a learning organisation that is high performing and skilled, is a top priority for us. Our learning and development approach aligns with our strategic priorities. We introduced quarterly learning priorities, focusing on line management, change management, agility and innovation. In addition, we completed a leadership programme anchored in radical candour, to support our behaviours of being kind and direct, which 65% of senior civil servants have attended in-year. Our curriculum supports all staff to be successful in their roles. We also continued to be an exemplar apprenticeship employer, with 5.9% of our staff registered on an apprenticeship aligned to our priority skills at the end of the year.

We are developing our location strategy that will support us to deliver our places for growth commitments, enabling end-to-end careers in our offices. In addition, we have continued work to identify efficiencies through consolidating office space, releasing space to allow co-locating with other government departments.

We maintained effective talent and performance management, with the SCS Workforce Committee and local senior leadership teams holding regular career and talent discussions to identify critical roles and succession plans.

Innovation, technology and data

Our Digital, Data and Technology directorates provide a range of digital services, technology tools and platforms, and data services to the Department and support the sectors we serve. This year, we strengthened our strategy with our strategic framework, focusing on five key themes:

- delivering digitally
- the power of data
- the right tech
- user-centred innovation
- capacity and capability

We have advanced priority projects under the strategic data transformation plan, including: mapping the Department's data estate for better efficiency, improving daily school attendance data for richer policy insights, delivering against our ambitions for artificial intelligence (AI) in education and developing an advanced analytics unit to boost productivity and explore automation opportunities.

Progress has been made on the three-year technology strategy with the One IT project, facilitating easier collaboration between government departments while ensuring data security.

Assurance assessments over the past two years have shown a solid foundation for cyber security, with ongoing improvements. The direction of travel, however, is positive with assessors seeing improvements across a number of areas.

We work across government to deliver against priorities for AI, enabling access to safe and well-evidenced AI and 'EdTech' products for better learning outcomes, including working with Department for Science, Innovation and Technology on a content store for AI in education.

The connect the classroom programme has successfully invested £215 million in 3,705 schools, benefitting over 2.5 million pupils, by upgrading wireless networks and closing the digital divide, supporting the Opportunity Mission.

We have made progress in implementing the government digital and data pay framework, successfully recruiting to specialist roles and reducing reliance on expensive contractors.

Delivery, evaluation and collaboration

Since the general election, the Department has led government's Opportunity Mission, requiring collaboration across government and external partners. We established the Opportunity Mission Board and an external reference group to guide and challenge ministerial decisions.

We have already made good progress against our Plan for Change milestone. We have extended the early years entitlement to 15 hours for children aged 9 months to 2 years and begun an expansion of school-based nurseries by opening the first funding round and confirming capital investment to areas where places are most in demand. To tackle child poverty, we have set up the Child Poverty Taskforce and extended the Household Support Fund to help struggling households through the winter. To support all children to achieve and thrive, we have ended single word Ofsted judgements, expanded attendance mentoring and delivered real-time insight and benchmarking on attendance. We have named the 750 early adopter schools who will start providing free breakfast clubs next financial year. To give young people opportunity as they move from education to work, we have established Skills England, secured investment in youth guarantee trailblazers and announced a new offer of shorter apprenticeships and reduced red tape to grow apprenticeship starts in years to come.

We have strengthened project delivery capability, focusing on the major projects portfolio, which brings together projects and programmes that are either over £50 million; novel, contentious or repercussive; or key mission initiatives. Our Major Projects Portfolio Office provides project management and best practice guidance, with internal audit and the Infrastructure and Projects Authority offering assurance.

Investment in the project delivery profession has improved outcomes, and we have increased our numbers of accredited project delivery colleagues, chartered project professionals and graduates from the government's project leadership courses.

At local and regional levels, we have enhanced operational delivery by:

- investing in our operational delivery profession
- leveraging expertise through Regions Group's networks with stakeholders
- improving digital services for academy applications
- publishing guidance on commissioning high-quality academy trusts
- optimising expertise for improvement and intervention programmes across children's services

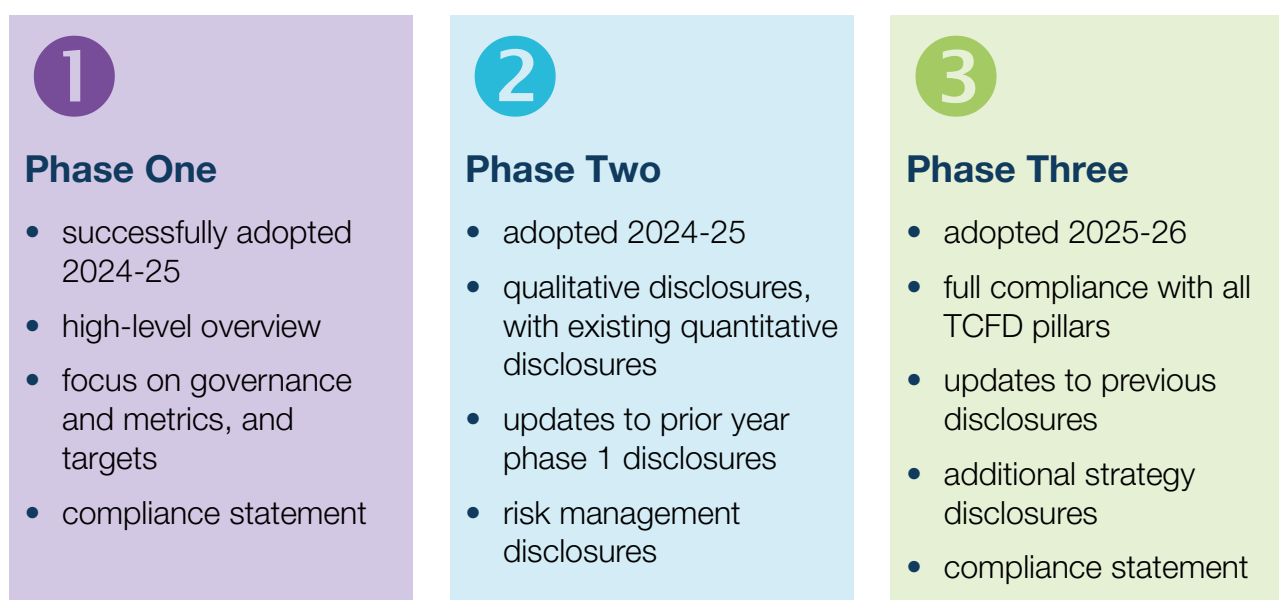
We also commission evaluations to understand and enhance the effectiveness of our initiatives, such as attendance mentors, wraparound childcare, and expanded early years childcare entitlements.

Sustainability disclosures

This section, together with [Annex B](#), presents the Department's performance in relation to both the Taskforce on Climate-related Financial Disclosures (TCFD) and the Government Greening Commitments (GGC). TCFD recommendations are structured around four themes (governance, strategy, risk management, and metrics and targets) that relate to core elements of how organisations operate.

The government has endorsed the TCFD framework and has mandated TCFD disclosures aligned to those applicable for large entities in the private sector. HMT has introduced guidance for the public sector to implement these disclosures, aiming to transform how organisations address climate change and its impacts. HMT's TCFD guidance includes a three-year implementation period, described in Figure 23.

Figure 23: TCFD adoption timeline



TCFD compliance statement

The Department has reported on climate-related financial disclosures consistent with HMT's application guidance, which interprets and adapts the framework for the public sector.

Table 5 shows the TCFD disclosures the Department has included in the Performance Report, and an assessment of the extent to which they are compliant with phase 2 implementation plan:

- not compliant
- partially compliant
- fully compliant

Table 5: TCFD compliance statement

| | Compliance status |
|---|--------------------------|
| Governance | |
| Describe the Board's oversight of climate-related risks and opportunities | Fully compliant |
| Describe management's role in assessing and managing climate-related risks and opportunities | Fully compliant |
| Risk management | |
| Describe the organisation's processes for identifying and assessing climate-related risks and opportunities | Fully compliant |
| Describe the organisation's processes for managing climate-related risks | Fully compliant |
| Describe how these processes are integrated into the organisation's overall risk management | Fully compliant |
| Metrics and targets | |
| Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process | Fully compliant |
| Disclose scopes 1, 2 and 3 (where appropriate) greenhouse gas emissions and related risks | Fully compliant |
| Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets | Fully compliant |

We consider that the Department's top-tier risk to the education estate includes physical climate risk.

Performance against TCFD recommendations

Sustainability and climate change is a cross-cutting theme in the Group and our work has wide-reaching impacts. To clearly demonstrate the way in which we are complying with the recommendations, we use three distinct lenses.

Corporate body lens

Pertaining to the Group itself, predominantly driven by our office estate, including quantified GGC disclosures along with policy statements relating to the Group's own activities.

Education sector strategy lens

Describing our policy aims and activities for the education and children's services system (such as schools) whose activities are not included within the scope of our GGC return, but for which the Department retains policy responsibility.

Education estate lens

Pertaining to the carbon emissions and adaptation responsibilities from education buildings which are equivalent to around one-third of total public sector emissions. These activities are also not included within the scope of our GGC workings, but the Department retains policy responsibility.

Governance

The Board's oversight of climate-related risks and opportunities

Following the general election, sustainability now sits within Minister Morgan's portfolio. Jack Boyer retained responsibility as non-executive board member responsible for sustainability and climate change.

Ministers, non-executive board members, directors general, the Chief Sustainability Officer (CSO) and the SRO attend relevant cross-government climate change and environment boards, including the new board for the government's Make Britain a Clean Energy Superpower Mission.

The Group is not subject to an external board in relation to their approach to managing climate risk, setting climate-related policies or risk mitigation strategies.

Lens: corporate body

There are proposals that climate-related risk will be tabled at Audit and Risk Committee (ARC) annually, with a deep dive undertaken of the context and progress made for sustainability strategy in the Department and its sectors.

Lens: education sector strategy

Minister Morgan has committed to publish a refreshed strategy, in order to emphasise the importance of education as an essential tool to mitigate and adapt to climate change. The refreshed strategy will support the policy aims of the Opportunity Mission and align with existing and emerging departmental and cross-government strategies.

Lens: education estate

ARC received an overview of a new long-term plan which is being developed to deliver a vision for the education estate that supports brilliant education and care outcomes through an education estate that is safe, sustainable, suitable, sufficiently sized and resilient. This helps meet the Environmental Audit Committee's (a committee external to the Group) 2023 recommendation that the Department publish a roadmap to align condition with sustainability planning and funding.

Management's role in assessing and managing climate-related risks and opportunities

Lens: corporate body

In February 2025, we established a Corporate Sustainability Board to oversee the adoption of new GGC targets and support the embedding of sustainability across the Department and its estate.

The Department is committed to reviewing its corporate sustainability strategies in 2025, to ensure alignment with evolving regulations, including the expected introduction of new GGC targets in 2025. This review will also ensure that we support, and provide direction to, our Agencies and NDPBs with respect to meeting the GGC targets.

Lens: education sector strategy

The CSO chairs the Sustainability and Climate Change Strategy Board, comprising directors who are responsible for the prioritisation of resources to support delivery of commitments and whose terms of reference make the link between the education sector strategy and the corporate strategy.

The SRO for sustainability and climate change chairs the Sustainability and Climate Change Portfolio Delivery Board, made up of deputy director sponsors responsible for delivering commitments of the strategy.

Both the CSO and SRO report to a director general acting as a sustainability champion.

Lens: education estate

A new Adaptation and Nature Recovery Programme Board has been established to develop and oversee the strategy for addressing the climate risk in respect of the education estate. Climate risk may impact on the delivery of education services or affect the health and safety of pupils and staff, and to respond to the requirement to protect the environment and promote nature recovery.

Risk management

Processes for identifying and assessing climate-related risks

Lens: corporate body

Following discussions at Performance and Risk Committee and ARC last year, the Department has worked across its operations and policy areas to embed the key concepts of physical and transitional climate risk, to identify how climate risk could exacerbate existing risks or introduce new ones.

Sustainability and climate change is a key component of the Department's risk appetite statement, reflecting alignment with strategic objectives on building safety and standards, environmental targets and access to nature, teacher workload, funding, and building skills and capability.

The Government Property Agency (GPA), which delivers property and workplace solutions across government, is aligning its approach to climate change adaptation with the GGCs. In line with GGC requirements, GPA is supporting the development of an organisational climate change adaptation strategy that addresses risks across estates and operations.

Lens: education sector strategy

The Department has begun to raise awareness of physical and transition climate risk across its education sector-facing operational units (Schools, Skills and Families Groups), providing training and support for risk owners to identify and assess risk.

Risk awareness is also increasing through the successful integration of the environmental principles duty into day-to-day operations, ensuring the environmental impact of new policies as well as changes to existing policies are considered.

Lens: education estate

The Department requires all new schools to assess future flood and heat risk in site selection and design. We have carried out an assessment for the existing education estate, which was a strategic commitment made in the third National Adaptation Pathway. The assessment has been published in the Climate Change Committee's (a House of Commons select committee) Adaptation Progress Report 2025.

Processes for managing climate-related risks

Lens: corporate body

Risks encompass both physical and transition risks emanating from the estate, our corporate operations and financial management. There is also the aggregated risk posed by the education sector strategy and the education estate, where the risks can have implications for the Department's operations and finances.

Identification and assessment of risks are underway. Management of risks at the individual-level takes place as part of existing risk management processes. Processes are in development to understand and manage the aggregated risk to the Department, which may become the focus of future climate scenario analysis.

Lens: education sector strategy

Risks primarily relate to the successful delivery of the [Sustainability and climate change strategy](#)¹⁷, with transition risks captured as part of this process. Mitigation plans are agreed with Departmental sponsors, responsible for the delivery of commitments.

Risk identification and assessment are ongoing, with management integrated into existing frameworks. The Sustainability and Climate Change Strategy Board is advancing efforts to understand and manage aggregated risks and has begun developing a portfolio-wide view.

In 2024, the board reviewed all top-tier and top portfolio risks and started to develop a process to improve our understanding of climate risk across the Department which will enhance our ability to make evidence-based disclosures and underpin the evidence base for climate scenarios.

Lens: education estate

A new strategy to manage physical climate risk to the education estate is being developed and overseen by the new Adaptation and Nature Recovery Programme Board. The board will manage where climate may impact on the delivery of education services or affect the health and safety of pupils and staff; and respond to the requirement to protect the environment and promote nature recovery. This board has responsibility to develop an adaptation programme for the education estate, report on agreed key performance indicators and escalate risks and issues to senior governance.

¹⁷ <https://www.gov.uk/government/publications/sustainability-and-climate-change-strategy>

Processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

Lens: corporate body

This year the Department began work to establish sustainability and climate risk within existing risk management frameworks, systems and processes (as described in [Managing our risks](#)). The Department's systems are being updated to allow identification of risks where they are caused by, or where impact is made worse by, climate change.

We have introduced a specific section on sustainability into the annual assurance framework record, the self-assessment completed by directors, which provides assurance over risk management, governance, financial acumen, project delivery and controls, while also highlighting areas for improvement and support.

Lens: education sector strategy

A desktop review has been completed of all top-tier and top portfolio risks, to develop a better understanding of climate risk across the Department which will enhance our ability to make evidence-based disclosures.

Lens: education estate

We have worked through existing risk management frameworks, systems, processes and risk governance, to update the Department's top-tier risk to the education estate to include physical climate risk and to consider the specific cause and mitigations. This may be considered a principal risk and, together with the climate change risk assessment analysis, would underpin the evidence-base for climate scenarios of physical risk to the education estate in future ARAs.

Metrics and targets

Metrics used to assess climate-related risks and opportunities in-line with its strategy and risk management process

Lens: corporate body

The Department seeks to comply with GGCs. This year is the last year of the current GGCs 5-year framework based on a 2017-18 baseline. A new framework is due to come into effect during next year based on a 2025-26 baseline.

Lens: education sector strategy

We have met the strategic commitment of the sustainability and climate change strategy to develop and publish a framework to evaluate the impacts of the strategy's broader actions. Alongside which we have developed internal benefit indicators to assess progress towards achieving the benefits of the strategy. Those indicators continue to be monitored by the Sustainability and Climate Change Portfolio Delivery Board at frequent intervals throughout the year.

Work continues to refresh this strategy into next year, with due regard given to the metrics and targets necessary to measure success in future.

Lens: education estate

Schools are out of scope of GGC monitoring. Non-statutory guidance for academy trusts and further education colleges in each sector's accounts direction requires that the sectors report against the streamlined energy and carbon reporting framework alongside their own ARAs. Where an academic institution meets the criteria, they will also need to comply with TCFD in their own financial reporting.







No new mandatory reporting is proposed within the sustainability and climate change strategy, but this decision will be kept under regular review and is subject to uptake and legislative reporting requirements in line with government's net zero strategy.

Scopes 1, 2 and 3 greenhouse gas emissions and related risks

Overall GGC performance

Table 6 presents the Group's performance against the six overall GGC performance criteria, against the 2017-18 baselines:

Table 6: High-level summary of current GGC performance

| GGC measure | 2024-25 performance | Target | Measure achieved |
|--|----------------------|-------------------------------|---|
| Reduce overall greenhouse gas emissions | 58% reduction | 56% reduction |  |
| Reduce direct greenhouse gas emissions | 67% reduction | 36% reduction |  |
| Reduce the overall amount of waste generated | 48% reduction | 15% reduction |  |
| Increase the proportion of waste which is recycled | 74% increase | 70% increase |  |
| Reduce water consumption | 49% reduction | 8% reduction |  |
| Reduce the amount of waste going to landfill compared to overall waste | 0% waste to landfill | Less than 5% of overall waste |  |

[Annex B](#) provides more detail of our performance, as well as performance trends against the baselines for the last five years. The rest of the Group's sustainability reporting can also be found in Annex B.

Lenses: education sector strategy and education estate

The education and CSC sectors remain out of scope for the GGCs. However, the Department continues to acknowledge the impact climate change has, and will have, on these sectors. The Department also recognises the contribution it can make to help create a sustainable future through education, developing the skills needed for a green economy, supporting our sectors to reach net zero targets and furthering our work in sustainable development in our school building programmes.

Targets to manage climate-related risks and opportunities, and performance against targets

Lens: corporate body

The Department has a target to enhance biodiversity by 10% across its office estate in collaboration with our landlord, GPA. We are employing a scientific methodology to survey designated land for biodiversity development, both pre- and post-intervention, to measure the effectiveness of our efforts. In line with this target, the Department is currently implementing a successful nature recovery pilot at our Coventry office. This initiative has significantly contributed to promoting biodiversity and sustainable practices within our office grounds, aligning with our dedication to environmental stewardship.

Lens: education sector strategy

We have met the strategic commitment of our sustainability and climate change strategy to develop and publish a framework to evaluate the impacts of the broader actions set out within the strategy. We have also developed internal benefits indicators to assess progress towards achieving the benefits of the strategy. Those indicators continue to be monitored by the Sustainability and Climate Change Portfolio Delivery Board at frequent intervals throughout the year.

Work continues to refresh this strategy into next year, with due regard given to the metrics and targets necessary to measure success in future.

Lens: education estate

Education settings are not required to provide any data on their energy use or greenhouse gas emissions under GGC. This decision will be kept under regular review and subject to legislative reporting requirements in line with government's Net Zero Strategy.

Forward look

Transfers of function

On 1 April 2025, the Department completed the transfer of ESFA activities, assets and liabilities to the core Department following ESFA's closure on 31 March 2025. This transfer followed up on the earlier transfer to the Department of ESFA's Schools Financial Support and Oversight (SFSO) activities in October 2024.

On 1 June 2025, the activities, assets and liabilities of IfATE were transferred to the Secretary of State, following the formal closure of IfATE. This transfer was part of the transformation of the skills environment with the launch of Skills England, the Department's new executive agency. As part of the reformation of the Group's skills offer, IfATE's previous activities have been transferred to either the Department or SE via the Secretary of State.

Note [25.2](#) has more details on the assets and liabilities transferred.



Going concern status

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

Budgets for central government departments are collectively agreed in spending review exercises overseen by HMT. Spending Review 2025 set departmental budgets out to the end of 2028-29. The spending review settlement will be confirmed by a vote in Parliament for Supply and Appropriation Acts. There is no reason to believe that this process will not continue after the year end. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Susan Acland-Hood

Accounting Officer

11 July 2025





Accountability Report

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

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



Corporate governance report

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

Directors' report

Ministers and the Board

Membership of committees and attendance is provided in [Department's governance structure](#).

Education ministerial team at 31 March 2025



Rt Hon Bridget Phillipson MP

Secretary of State for Education
(from 5 July 2024)

Overall responsibility for the Department for Education and chairs the Board.



Rt Hon Baroness Smith

Minister of State for Skills
(from 5 July 2024)

Responsible for:

- Minister for the Board
- Group bodies: CITB, ECITB, IfATE, OfS and SLC
- technical qualifications (including T Levels) and higher technical education (levels 4 and 5)
- adult education, including basic skills and combined authority devolution
- careers advice and support for young people who are NEET
- apprenticeships, including the growth and skills levy
- Technical Excellence Colleges
- Local Skills Improvement Plans
- governance, intervention and accountability of FE colleges
- funding for education and training, provision and outcomes for 16 to 19-year-olds
- FE funding, financial stability and workforce
- access to HE, participation and lifelong learning, the student experience and student finance
- international education



Catherine McKinnell MP

Minister of State for School Standards
(from 8 July 2024)

Responsible for:

- Group bodies: ESFA, STA, TRA, Oak and STRB
- school improvement, intervention and inspection (including links with Ofsted)
- qualifications (including links with Ofqual)
- initial teacher training and incentives
- teacher retention including the early career framework
- school leadership, teacher pay and pensions, and school support staff
- core school funding
- curriculum and assessment, including the curriculum and assessment review, and creative education
- SEND and high needs, and AP
- school governance
- admissions
- faith schools
- school uniform
- access to sport, arts and music in education, working with other departments
- pupil premium



Janet Daby MP

Parliamentary Under Secretary of State for Children and Families
(from 9 July 2024)

Responsible for:

- Group bodies: CCO and SWE
- CSC
- children in care and children in need
- looked-after children
- child protection
- adoption
- kinship care and foster care
- care leavers
- CSC workforce
- unaccompanied asylum-seeking children
- local authority improvement
- Family Hubs
- families support and parenting



Stephen Morgan MP

Parliamentary Under Secretary of State for Early Education
(from 9 July 2024)

Responsible for:

- Group bodies: LocatED
- early years education including children with SEND
- childcare and the home learning environment
- early years workforce
- early communication skills and early intervention
- school food, including free school meals and breakfast clubs
- independent schools
- maintenance and improvement of the education estate
- environmental sustainability in the education sectors
- school attendance
- mental health support in schools
- safeguarding, online safety and prevention of serious violence in schools and post-16 settings
- counter extremism in schools and post-16 settings
- behaviour, preventing bullying and exclusions in schools
- use of data, digital technology and AI in education
- use of research, science and evidence within the Department

Women and equalities ministerial team at 31 March 2025



Rt Hon Bridget Phillipson MP

Minister for Women and Equalities
(from 8 July 2024)

Responsible for:

- promoting equality of opportunity for everyone, and reducing negative disparities
- strategic oversight of government's equality policy, for women, ethnicity and LGBT (Lesbian, Gay, Bisexual, Transgender)
- sponsorship of the Social Mobility Commission and Equality and Human Rights Commission
- overview of the overarching equalities legislative framework, including the Equality Act



Rt Hon Baroness Smith

Minister of State for Women
and Equalities
(from 4 March 2025)

Responsible for:

- Group bodies: none
- lead policy responsibility for gender equality and women's rights
- sponsorship of the Equality and Human Rights Commission and Social Mobility Commission
- UK equality framework (including the Equality Act)
- equality data and analysis
- socio-economic opportunity
- race and ethnicity policy
- Employment Rights Bill (Department for Business and Trade lead)



Rt Hon Sir Stephen Timms MP

Parliamentary Under Secretary
of State for Equalities
(from 8 July 2024)

Responsible for:

- Group bodies: none

**Seema Malhotra MP**

Parliamentary Under Secretary of State for Equalities (from 8 October 2024)

Responsible for:

- Group bodies: none
- race and ethnicity elements in equality legislation
- race and ethnicity policy

**Dame Nia Griffith MP**

Parliamentary Under Secretary of State for Equalities (from 8 October 2024)

Responsible for:

- Group bodies: none
- LGBT+ legislation including conversion practices
- LGBT+ policy

Our management**Executive members****Susan Acland-Hood**

Permanent Secretary
Accounting Officer

Appointment: September 2020

**Justin Russell**

Director General, Families Group
Appointment: October 2023

**Julia Kinniburgh**

Director General, Skills Group
Appointment: December 2022



Juliet Chua

Director General, Schools Group
Appointment: May 2023



Tony Foot

Director General, Strategy Group
Appointment: March 2023



John Edwards

Director General, Regions Group
Appointment: June 2022
Resignation: 22 June 2025



Jane Cunliffe

Chief Operating Officer
Director General, Operations and
Infrastructure Group
Appointment: November 2022

Non-executive members



Sir Kevan Collins

Lead Non-executive Board Member
Appointment: 10 July 2024 as a
non-executive board member
11 February 2025 appointed
to Lead Non-executive Board
Member role



Sir Peter Bazalgette

Appointment: May 2022



Jack Boyer

Appointment: May 2022
Resignation: 31 May 2025



Stuart McMinnies

Appointment: May 2022



Naomi Eisenstadt

Appointment: 1 March 2025



Margaret Casely-Hayford

Appointment: 1 March 2025



Rebecca George

Appointment: 1 March 2025



Steve Crocker

Appointment: 1 March 2025

Changes in the reporting year

The following changes in board-level appointments occurred during the year:

- Rt Hon Gillian Keegan MP to 4 July 2024, Secretary of State for Education
- Rt Hon Damian Hinds MP to 4 July 2024, Minister of State for Schools
- Luke Hall MP to 4 July 2024, Minister of State for Skills, Apprenticeships and Higher Education
- Baroness Barran to 4 July 2024, Parliamentary Under Secretary of State for the School System and Student Finance
- David Johnston MP to 4 July 2024, Parliamentary Under Secretary of State for Children, Families and Wellbeing
- Rt Hon Bridget Phillipson MP, Secretary of State for Education (from 5 July 2024) and Minister for Women and Equalities (from 8 July 2024)
- Rt Hon Baroness Smith from 5 July 2024, Minister of State for Skills
- Catherine McKinnell MP from 8 July 2024, Minister of State for School Standards
- Rt Hon Anneliese Dodds MP from 8 July 2024 to 28 February 2025, Minister for Women and Equalities
- Rt Hon Sir Stephen Timms MP from 8 July 2024, Parliamentary Under Secretary of State for Equalities
- Janet Daby MP from 9 July 2024, Parliamentary Under Secretary of State for Children and Families
- Stephen Morgan MP from 9 July 2024, Parliamentary Under Secretary of State for Early Education
- Sir Kevan Collins from 10 July 2024, Non-executive Board Member, and Lead Non-executive Board Member from 11 February 2025
- Seema Malhotra MP from 8 October 2024, Parliamentary Under Secretary of State for Equalities
- Dame Nia Griffith MP from 8 October 2024, Parliamentary Under Secretary of State for Equalities
- Richard Pennycook to 10 February 2025, Non-executive Board Member
- Toby Peyton-Jones to 28 February 2025, Non-executive Board Member
- Margaret Casely-Hayford from 1 March 2025, Non-executive Board Member
- Steve Crocker from 1 March 2025, Non-executive Board Member
- Naomi Eisenstadt from 1 March 2025, Non-executive Board Member
- Rebecca George from 1 March 2025, Non-executive Board Member
- Rt Hon Baroness Smith from 4 March 2025, Minister for Women and Equalities

Changes after the reporting year

The following changes in board-level appointments occurred after the year end but prior to the authorisation of this ARA:

- Jack Boyer to 31 May 2025, Non-executive Board Member
- John Edwards to 22 June 2025, Director General, Regions Group
- Claire Burton from 16 June 2025, Interim Director General, Regions Group

Registers of interests

The Department maintains a register of interests to ensure that potential conflicts of interest can be identified. Executive and non-executive board-level members are required to declare details of company directorships, and other significant interests, on appointment to the Board and on an annual basis. The Department publishes [the register](#)¹⁸ annually alongside the ARA.

Details of directorships and other significant interests held by ministers are set out in the [Register of Members' Interests](#)¹⁹ for MPs and the [Register of Lords' Interests](#).²⁰

Data management

There were five personal data breaches this year (prior year: eight) which were deemed to be reportable to the Information Commissioner's Office (ICO). Further detail on data security and compliance can be found in [Annex A](#).

Table 7: Number of data management incidents for the last five years

| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---------------------|---------|---------|---------|---------|---------|
| Number of incidents | 5 | 8 | 2 | 7 | 4 |

Group spending

Remuneration paid to auditors for non-audit work

The Comptroller and Auditor General conducted the audit of the Group and its component entities, except for Aggregator which was audited by Mazars LLP. No non-audit fees were paid to auditors in either of the years reported.

Political donations and sponsorship

The Department did not make any political donations during the year (prior year: £nil).

¹⁸ <https://www.gov.uk/government/collections/dfe-annual-reports>

¹⁹ <https://www.parliament.uk/mps-lords-and-offices/standards-and-financial-interests/parliamentary-commissioner-for-standards/registers-of-interests/>

²⁰ <https://members.parliament.uk/members/lords/interests/register-of-lords-interests>

Research spending

Table 8: Research spending for the last five years

| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---|-------------|-------------|-------------|-------------|-------------|
| | £m | £m | £m | £m | £m |
| Department | 27.8 | 27.3 | 29.3 | 19.9 | 13.5 |
| Agencies | 0.1 | 0.1 | – | 0.1 | – |
| NDPBs | 1.3 | 1.1 | 0.3 | 0.3 | 0.3 |
| Total | 29.2 | 28.5 | 29.6 | 20.3 | 13.8 |
| Of which: | | | | | |
| central research | 16.7 | 16.2 | 21.1 | 7.0 | 3.8 |
| policy units and policy evaluation research | 12.5 | 12.3 | 8.5 | 13.3 | 10.0 |

Strategy Group holds and manages the central research budget that funds the majority of our social and economic research, including evaluation. This work shapes and influences policy delivery around early years education, schools, further and higher education and social care. High-quality evidence and robust evaluation enable policies to be better targeted and help ensure value for money.

Research expenditure is marginally higher than last year. While the general election and associated activity delayed some research projects, our major longitudinal surveys and official statistics collections proceeded as expected. The change in expenditure mainly reflects natural project variation across years.

A robust research governance and approvals process is in place to ensure alignment with the government's developing priorities. Strategic tools (such as omnibus surveys) are used in place of multiple smaller research projects; we continue to build in-house research capacity to further save on external commissioning costs.

Further details on our [research activity and our research publications](#)²¹ are available.

Financial instruments and exposure to risk

As the cash requirements of the Group are met from the Consolidated Fund, through the Parliamentary Supply process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. However, the Group is exposed to some level of risk generated by the Department's student loan portfolio, which is classified as a financial instrument. Further information on the risks associated with financial instruments are set out at note [12](#).

Board's declaration

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

²¹ <https://www.gov.uk/government/organisations/department-for-education/about/research>

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HMT has directed the Department for Education to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the Department (inclusive of its executive agencies) and its sponsored non-departmental public bodies designated by order made under the GRAA by Statutory Instrument 2024 no 295 (together known as the 'Departmental Group', consisting of the Department and sponsored bodies listed at note [24](#) to the accounts). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and the Departmental Group and of the income and expenditure, Statement of Financial Position and cash flows of the Departmental Group for the financial year.

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

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

HMT has appointed the Permanent Head of the Department as Accounting Officer of the Department for Education.

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

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

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

I confirm that the ARA as a whole is fair, balanced and understandable. I take personal responsibility for the ARA and the judgements required for determining that they are fair, balanced and understandable.



Governance statement

This governance statement sets out our governance, risk management and internal control framework and the assurances I have received, as Principal Accounting Officer, and our compliance with HMT's 'Corporate governance in central government departments: code of good practice'. The activities covered by the statement operated in the year and up to the date of approval of this ARA.

More detail on the control system is given in the [Accounting Officer System Statement](#).²² Details for individual Agencies and NDPBs are contained in the governance statements of their respective ARAs.

Lead Non-executive Board Member's foreword



Note from Sir Kevan Collins

As the current Lead Non-executive Board Member, I would like to extend my heartfelt thanks to Richard Pennycook for his exceptional leadership and dedication during his seven-year tenure. Richard's contributions have been invaluable in steering the Department towards achieving its goals, and his commitment to and impact on the education and skills sectors has been truly commendable. We wish him all the best in his future endeavours.

Richard kindly agreed to draft this foreword since his time in the role covered the first eleven months of the year before I took up the role. I agree with Richard's views here and fully support the work of the Department and its non-executive board members.

Foreword from Richard Pennycook CBE

The year has been a period of significant change and continued dedication within the Department. Our colleagues have worked tirelessly to improve educational and life outcomes for children, young people and adults across England, breaking down barriers to opportunity.

In July 2024, we welcomed a new Secretary of State and ministerial team, which brought about changes in our Board's leadership. The Rt Hon Bridget Phillipson MP took on the role of Board Chair and Rt Hon Baroness Smith became the Minister for the Board. I extend my thanks to the previous Secretary of State, Rt Hon Gillian Keegan MP, and ministerial team.

²² <https://www.gov.uk/government/collections/accounting-officer-system-statements>

It was during the transition period in July 2024 that officials demonstrated their commitment to public service and ability to be impartial as they supported the new ministerial team to settle into the Department. Their preparation and dedication allowed the Secretary of State and her team to be well-equipped to start work quickly and seamlessly on new governmental priorities for our children, young people and all learners.

The new government outlined a series of milestones to be reached by the end of this Parliament in their Plan for Change. Our Secretary of State leads on the Opportunity Mission: Breaking down the barriers to opportunity. The Department contributes to all the government's missions. We have a critical connection to growth; and we contribute to health, safer streets and energy.

Throughout this reporting period, the Board has remained focused on its strategic and operational leadership responsibilities. We have provided advice and challenge on various topics, including strategy, risk management and performance reporting. The Board's discussions have been aligned with the Departmental Group structure and mission pillars, ensuring that our efforts have been directed towards achieving our key objectives.

Key activities this year included:

- With the formation of a new government, the Board scrutinised the 100-day and 500-day plans forming the basis of the Department's strategy. We have received regular updates on the delivery plans for the government missions and the pillars underpinning these, with a particular focus on the Opportunity Mission and the pillars owned by the Department. Additionally, the Board reviewed the departmental risk register and accepted the risk appetite statement.
- Utilisation of a dashboard to review our performance against delivery metrics and discussed the progress of the Children's Wellbeing and Schools Bill and the Department's research and development priorities.
- The Board endorsed the skills strategy, discussed early years reform and considered the scale of ambition on school attendance. We also reviewed the RISE initiative and its impact on long-term strategy.
- Financial updates were a regular feature of our meetings, where we discussed budgetary responses, financial pressures and opportunities for efficiencies. We also planned for the spending reviews in 2024 and 2025.
- An evaluation of the Board's effectiveness was initiated but not completed due to changes in membership. However, non-executive board members continued to provide independent support, advice and challenge across various departmental groups and missions.

This year, we also saw changes in our non-executive board members. Sir Kevan Collins joined in July 2024, then Rebecca George, Margaret Casely-Hayford, Steve Crocker and Naomi Eisenstadt came into post in March 2025, bringing valuable sector expertise and diverse perspectives. I extend my gratitude to Toby Peyton-Jones for his contributions during his tenure which ended in February 2025. We were pleased to appoint Sir Kevan Collins as the new Lead Non-executive Board Member in February 2025, following my departure. The Board met five times throughout this year, with active participation from all members.

My thanks go to my fellow non-executive board members, the Secretaries of State, junior ministers and the executive Leadership Team for their dedication and hard work.

The Board has also overseen the functions of ESFA being moved into the Department to ensure more joined-up delivery, bringing benefits to the individuals and organisations we support, as well as to the taxpayer. Similarly, in June 2025 the functions of IfATE transferred between the Department and the newly formed Skills England executive agency, a key government manifesto commitment which will act as a vehicle for driving growth and opportunity.

In July 2024, I assumed the role of Interim Chair of the shadow Skills England to provide guidance and strategic leadership to the organisation as it found its feet. Forming a shadow Skills England quickly after the general election allowed the Department to implement new government initiatives for the skills agenda whilst the agency was created. I commend officials' dedicated response to the delivery of this prime ministerial priority and look forward to witnessing the work of Skills England once it is fully established under its new permanent Chair, Phil Smith.

As we look ahead, I am confident that the Department will continue to make significant strides in achieving its goals, supported by the strong governance and leadership structures we have in place. We will ensure that the Department achieves the ambitious goals set out in the government's Plan for Change through leading on the Opportunity Mission and its contributions to the other missions.

Sir Kevan Collins

Lead Non-executive Board Member

11 July 2025

How we are structured

The Department for Education is a ministerial department supported by 14 public bodies (Agencies and NDPBs) listed in note [24](#). Together they form this financial reporting group.

Agencies are well-defined business units of the Department that carry out executive functions. They focus on delivering specific outputs within a framework of accountability to ministers.

NDPBs play a role in the processes of national government but are not a government department or part of one, they operate at varying degrees of independence from ministers. NDPBs have different roles, including those that advise ministers and others, which carry out executive or regulatory functions, within a strategic framework set by ministers.

As the Permanent Secretary and Accounting Officer for the Group, I am responsible for reviewing the effectiveness of the Group's systems of internal control. This review is informed by the senior management team (including accounting officers for Agencies and NDPBs, who have responsibility for the development and maintenance of their own internal control frameworks), ARC's oversight of the control framework, the Government Internal Audit Agency and comments from the National Audit Office in its management letter and other reports.

I require each director and deputy director to complete an annual assurance return covering risk management, the operation of related controls in their areas of responsibility and their use of resources allocated to them. The next annual return cycle is after this ARA is published so I rely on exception reports to cover the period from the year end to the publication date of this ARA.

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

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

Other sources of assurance include accounting officers of our Agencies and NDPBs, local authority chief finance officers (via section 151 returns of the Local Government Finance Act 1972), individual academy trust accounting officers and Ofsted. These accounting officers report either directly to me, or to me via ESFA, on the probity and appropriateness of the use of Group funding allocated to them.

The Board and its sub-committees receive management information to monitor Group performance. This includes financial and workforce data, indicators of progress against the Department's priorities and information on risk. The senior executive team, with challenge from other board members, continually monitor the quality of the information to ensure evidence-based decision making.

Department's governance structure

The following content covering the Department's governance arrangements is for this year, unless otherwise stated. Ministerial changes are reflected. Board effectiveness evaluations are usually completed in July after a financial year. However, during the year a review of the prior year board's effectiveness was partially completed and halted due to the general election and subsequent new ministerial team and Board Chair. The partial review provided an opportunity to reflect on the skills and experience mix of the Board membership and shape the non-executive board member recruitment process to bring greater diversity of thought and sector experience to the Board. We expect that the review of the Board's 2024-25 effectiveness will be light-touch to reflect the further substantial changes in non-executive board members that occurred towards the end of the financial year.

In July 2024, the Department welcomed a new Secretary of State and ministerial team, thus acquiring a new Board Chair and Minister for the Board. In addition, in July 2024 the Department appointed a new non-executive board member and a further four new non-executive board members in March 2025.

The Department's Lead Non-executive Board Member, Richard Pennycook, stepped down from his role in February 2025 and Sir Kevan Collins took up the role following a recruitment process. Toby Peyton-Jones' tenure as a non-executive board member ended in February 2025.

The Leadership Team remained the same throughout the reporting period.



Figure 24: The Board and its sub-committees



Committee attendance data is presented after the separate committee performance reports. In the following commentary we have made a distinction in meeting attendees between members and observers. Observers are not members of the committees but are asked to attend to support discussions. Named members are in addition to the Chair. Individuals named, including Chairs, are those in post at the year end.

Board

Role

The Board provides the collective strategic and operational leadership of the Department, providing advice and challenge on strategy, operations and deliverability of policy.

The Board achieves this by drawing on the commercial, operational and political expertise of its members in addition to their experience of the Department's operational sectors.

Chair: Rt Hon Bridget Phillipson MP
Secretary of State

Observers: All other ministers and directors
general have a standing invitation
to attend

Members: Minister for the Board
Permanent Secretary
Chief Operating Officer
Director General, Strategy Group
Non-executive Board Members

Meetings in the year: 5

Main activities

Discussions focused on:

Strategy and mission pillars

The Board was presented with progress reviews of delivery achievements against the plan for the first 100 days following the general election, and scrutinised the 500-day plan which formed the basis of the Department's strategy.

An overview of performance according to the Secretary of State's priorities, until July 2024.

Post-election, the Board received regular updates on the delivery plans for the government Missions and the pillars underpinning these. There was particular focus on the Opportunity Mission (which we lead on) and Growth Mission (where we support HMT who lead) and its mission pillars where the Department leads the government's activities. In addition, the Department also contributes to all other government Missions.

The Board reviewed, challenged and supported delivery plans for three of the Opportunity Mission pillars and the Growth mission pillar of Skills for Opportunity and Growth.

The Board was presented with an update on the progress of the Children's Wellbeing and Schools Bill, key measures and next steps.

The Board reviewed and subsequently endorsed the skills strategy and its link to the government's Growth Mission. The Board discussed the importance of a coherent skills system and its constituent parts.

Board members reviewed the departmental risk register, including top-tier risks and mitigations. The Board reviewed and accepted the risk appetite statement, and in September 2024 the Board reviewed the key risks and enablers relating to strategy.

Board members discussed and appraised five research and development priorities for the Department following internal and cross-departmental engagement. This included consultation with mission pillar leads and the Department's Science Advisory Council to form the priorities.

Spotlight on delivery

Between April and July 2024, the Board discussed challenges and opportunities faced in two regions (Plymouth and Bradford). The Board noted the advantages of place-based working and the importance of strategic approaches to tackling challenges that were tailored to the regional and local needs.

Board members were provided with an update on early years reform and the scope to deliver this across the sector. Board members discussed recruitment of workforce to the childcare sector and the potential benefits of the reforms to the sector.

Board members considered the scale of ambition on school attendance, noting that the work on improving school attendance would contribute towards the Every Child Achieving and Thriving Pillar.

Officials highlighted the work of the RISE teams and the Department's intended outcomes. The Board discussed the universal and targeted interventions of RISE as part of the longer-term strategy.

Finance

An overview of the Group's budget in response to each budgetary statement from HMT and the Group's in-year financial position was considered by the Board at each quarter. The Board discussed opportunities for efficiencies and the financial pressures experienced across the sectors supported and within the Group. In addition, the Board regularly discussed phase 1 and phase 2 of the spending review.

Non-executive board members

Non-executive board members participated in a number of meetings outside of the Board. Non-executive board members continue to be aligned with the Department's six operational units and the mission pillars to offer independent support, advice and challenge.

Managing conflicts of interest

At the beginning of every board meeting, all members are asked to declare any new potential conflicts of interests. The current register of interests has been published separately to this ARA. All non-executive board member interests are gathered twice-yearly, in line with Cabinet Office guidance. The process is duplicated in the Board's sub-committees.

We publish [further information](#)²³ from board meetings.

23 <https://www.gov.uk/government/publications/dfes-senior-management-meetings>

Leadership Team

Role

The forum enables day-to-day executive leadership and management on behalf of the Board, focusing on departmental management, transformation and performance. [Figure 24](#) shows the five sub-committees that support the Leadership Team.

Chair: Susan Acland-Hood
Permanent Secretary and
Accounting Officer

Observers: Director of Strategy and Delivery
Director of Human Resources
Chief Scientific Advisor

Members: Directors General
Chief Executive of ESFA

Meetings in year: 10

Main activities

Discussions focused on:

Finance – reviewing the organisation’s financial health, alongside business planning and spending review preparation. In addition, workforce affordability was regularly considered.

Performance, delivery and risk – updates from the Performance and Risk Committee which considered cross-cutting departmental challenges and risks and highlights on performance and delivery. Following the change in government, the committee was provided with detailed analysis of the Department’s performance against the Mission metrics (especially the Opportunity Mission).

People leadership – updates from the People Committee on a range of issues including: the PSP, staff survey responses, workforce planning and line management responsibilities.

Legislation – planned bids for legislation ahead of advice going to ministers and monitored progress and priorities.

Organisational changes – updates on the progress on the establishment of Skills England as an executive agency and the creation of RISE teams.

Audit and Risk Committee (ARC)

Role

ARC supports the Board by providing independent scrutiny and challenge of the Department's governance, risk management, and internal controls and assurances. ARC advises the Permanent Secretary on the adequacy and effectiveness of these arrangements and the Department's ARAs. The Chair provides an annual report to the Permanent Secretary and Board.

Chair: Stuart McMinnies
Non-executive Board Member

Observers: GIAA (internal audit)
NAO (external audit)
Permanent Secretary
(as Accounting Officer)
Chief Operating Officer
Director of Operational Finance
Director of Strategic Finance

Members: four independent members

Meetings in the year: 6

Main activities

Discussions focused on:

Internal audit – reviewed GIAA's audit plans, recommendations and outcomes, including programme delivery and planning for the next financial year.

ARA oversight – approved plans for producing the Group ARA and SARA, and supported local boards discharging responsibilities for STA, TRA and TPS. Monitored external audit process via updates from the Department and NAO. The committee reviewed the ARAs ahead of their laying and received regular updates on the audit and risk activity of the Group's key components SLC and ESFA.

Risk management – evaluated risk management effectiveness including a review of mitigations and contingencies and the risk appetite statement. The Department's risk profile was discussed at each meeting; near misses and unexpected issues and the top-tier risk report on a quarterly basis and NDPBs six-monthly risk report.

Key issues – reviewed reports on key issues such as the fraud strategy, the student loan book forecast, ESFA's closure, sub-committee assurances and cyber security.

In-depth discussions – workshops held prior to ARC meetings covered a range of pertinent issues including whistleblowing updates, establishing Skills England, TPS administrator transfer, sustainability strategy, FE financial reporting, policies and procedures and benefit tracking.

NDPB ARC chairs meeting – met to discuss key issues for the Departmental Group.

Nominations Committee

Role

The committee is an advisory committee of the Board, providing assurance and input to key decisions and processes. Its purpose is to scrutinise our strategies and plans for talent management; executive and non-executive succession planning; capability building; board appointments; public appointments; senior performance management; and incentives and rewards. It advises on whether our senior people related processes are effective in helping the organisation to achieve its goals.

Chair: Lead Non-executive Board Member
Sir Kevan Collins

Members: Non-executive Board Members
Permanent Secretary
Director of Human Resources

Meetings in year: 3

Main activities

Discussion focused on:

- regular updates on public appointments, including those within our Agencies and NDPBs
- updates on whistleblowing incidents, including social media policies, and the awareness amongst staff on how to report issues of concern
- the results of both the Pulse and People Surveys, including matters relating to staff retention, hybrid working, recruitment strategy and the overall engagement score
- training available for our SCS staff, secondment opportunities available, the proportion of staff attending development courses and the standardised objectives of SCS members
- the approach to SCS performance management, the potential to share good practice from the private sector and SCS progression methods
- updates on the status of ESFA's closure and integration into the Department, the launch of Skills England and closure of IfATE
- the management of director general succession planning, our existing talent programme and the extent to which succession plans were utilised

Attendance records

The following tables present member attendance at meetings throughout the year. Not all members were in post throughout the year. To improve transparency, we have provided attendance values as well as the number of meetings available to members to attend. Where individuals are not members of a committee 'NM' has been presented which means 'non-member'. In the following tables no absence is recorded where committee members have deputised staff to cover for them.

Chairs

| | Board | Leadership Team | Audit and Risk Committee | Nominations Committee |
|--|--------------------|-------------------|--------------------------|---------------------------------|
| | Secretary of State | Susan Acland-Hood | Stuart McMinnies | Lead Non-executive Board Member |

Ministers

| | Board | Leadership Team | Audit and Risk Committee | Nominations Committee |
|------------------------------|--------------|-----------------|--------------------------|-----------------------|
| Rt Hon Gillian Keegan MP | 1 out of 1 | NM | NM | NM |
| Rt Hon Bridget Phillipson MP | 4 out of 4 | NM | NM | NM |
| Baroness Barran | nil out of 1 | NM | NM | NM |
| Baroness Smith | 3 out of 4 | NM | NM | NM |

Non-executive board members and independent ARC members

| | Board | Leadership Team | Audit and Risk Committee | Nominations Committee |
|------------------------------------|----------------|-----------------|--------------------------|-----------------------|
| Non-executive board members | | | | |
| Richard Pennycook | 5 out of 5 | NM | NM | 3 out of 3 |
| Sir Kevan Collins | 4 out of 4 | NM | NM | 2 out of 2 |
| Toby Peyton-Jones | 5 out of 5 | NM | NM | 2 out of 3 |
| Stuart McMinnies | 5 out of 5 | NM | 6 out of 6 | 3 out of 3 |
| Sir Peter Bazalgette | 5 out of 5 | NM | NM | 2 out of 3 |
| Jack Boyer | 5 out of 5 | NM | NM | 3 out of 3 |
| Margaret Casely-Hayford | nil out of nil | NM | NM | nil out of nil |
| Steve Crocker | nil out of nil | NM | NM | nil out of nil |
| Naomi Eisenstadt | nil out of nil | NM | NM | nil out of nil |
| Rebecca George | nil out of nil | NM | NM | nil out of nil |
| Independent ARC members | | | | |
| Charlotte Moar | NM | NM | 6 out of 6 | NM |
| Alastair Murray | NM | NM | 6 out of 6 | NM |
| Emir Faisal | NM | NM | 6 out of 6 | NM |
| Harjit Sandhu | NM | NM | 6 out of 6 | NM |

Senior officials

| | Board | Leadership Team | Audit and Risk Committee | Nominations Committee |
|--|------------|-----------------|--------------------------|-----------------------|
| Susan Acland-Hood (Permanent Secretary) | 5 out of 5 | 10 out of 10 | NM | 3 out of 4 |
| Justin Russell (DG, Families Group) | NM | 9 out of 10 | NM | NM |
| Juliet Chua (DG, Schools Group) | NM | 10 out of 10 | NM | NM |
| Julia Kinniburgh (DG, Skills Group) | NM | 10 out of 10 | NM | NM |
| John Edwards (DG, Regions Group) | NM | 10 out of 10 | NM | NM |
| Tony Foot (DG, Strategy Group) | 5 out of 5 | 8 out of 10 | NM | NM |
| Jane Cunliffe (COO and DG, OIG) | 5 out of 5 | 10 out of 10 | NM | NM |
| David Withey (Chief Executive of ESFA) | NM | 8 out of 9 | NM | NM |
| Naomi Schweitzer (Director of HR) | NM | NM | NM | 3 out of 4 |



Managing our risks

To help ensure we achieve our priorities, we manage risks at all levels in the organisation. Risk management is integrated into the way we work, from operational decision making, to project delivery, through to the management of strategic risks reflected in our principal risk reporting.

Risk and issue management framework

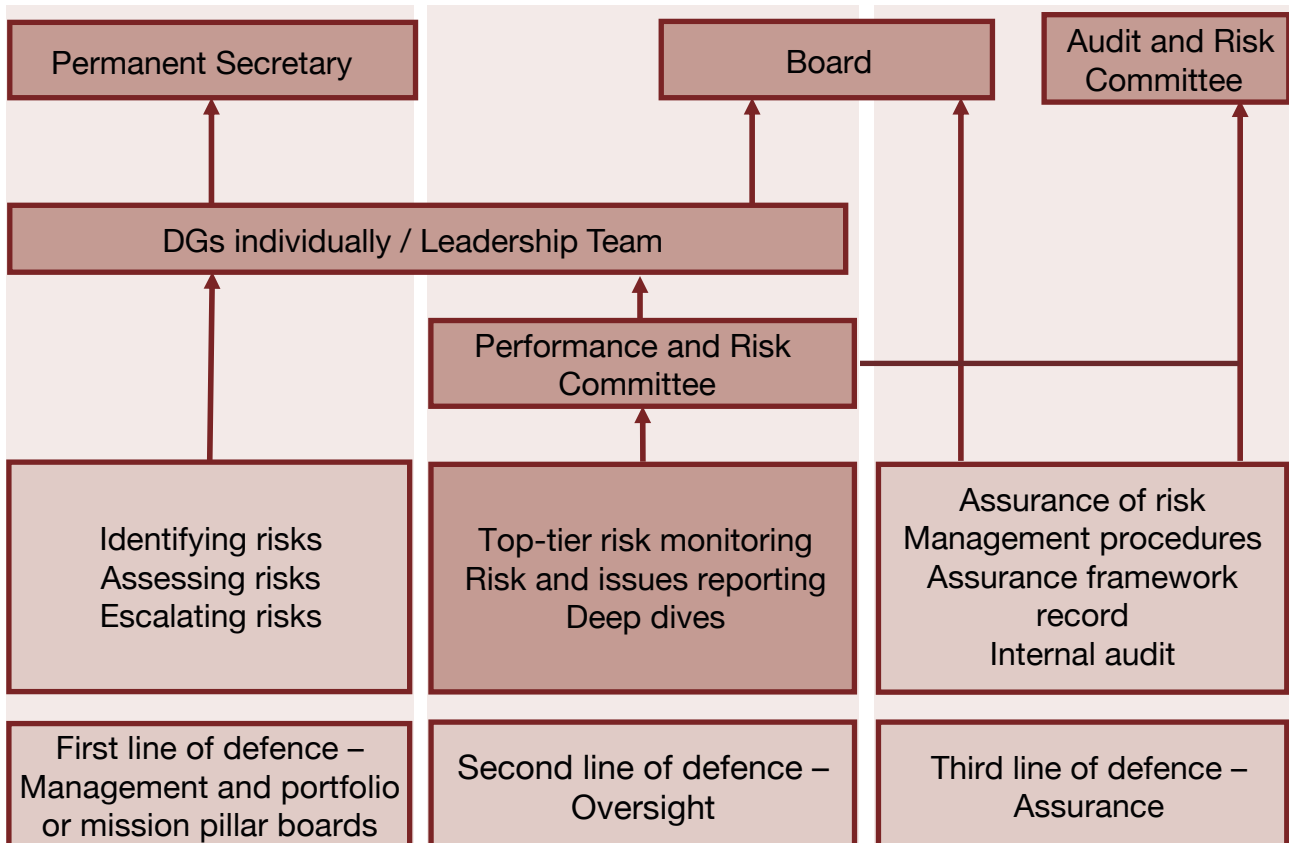
Our risk and issue management approach seeks to devolve accountability to those best placed to effectively manage risks at the right level.

Our Chief Risk Officer and corporate risk team act as the central point for advice and guidance on risk management. The team is responsible for the effective implementation of the Department’s risk management framework and co-ordinates our principal, or top-tier, risk reporting. This is the route by which the most significant risks are escalated to the Department’s Board and committees. The team also support setting the Department’s risk appetite which is agreed by the Board.

Alongside this, the central risk team is responsible for collating and reporting on near misses and unexpected issues, ensuring measures are introduced to reduce the likelihood of issues reoccurring.

Figure 25 describes the ‘three lines of defence’ model to which the Department operates.

Figure 25: The three lines of defence



Risk assurance

Performance and Risk Committee

Top-tier risks, near misses and unexpected issues are tabled and discussed at the PRC as part of the second line assurance. Additional risk assurance activity is carried out by the central risk team on the committee's behalf.

Audit and Risk Committee

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

Assurance framework record

The Department has completed an annual assessment of its assurance arrangements through the assurance framework record. The self-assessment, completed by directors, provides assurance across key areas including risk management, governance, financial acumen, project delivery and controls. It also identifies opportunities for improvement and areas requiring additional support. The framework record has four assurance levels from the worst, Unsatisfactory, through Limited and Moderate, to the best Substantial.

This year, we refined our approach to fully align with the Department's risk management framework. We expanded the scope by including more business areas and disaggregating previously combined areas to provide greater detail.

We continued to incorporate subject matter expert assurance ratings at both Departmental and team levels. These ratings served as a benchmark against which directors' responses were evaluated. Subject matter experts also provided detailed feedback and challenge questions on the director returns, which informed validation meetings. Two of these meetings were attended by non-executive board members, who contributed further insights and challenge.

Results from this year's process showed a high level of confidence across the strands with most ratings being Substantial or Moderate. The number of Substantial ratings has increased across most areas in comparison to last year. The highest level of confidence from directors was across the commercial and finance strands with most directors rating themselves as Substantial.

These findings are incorporated into individual group-level reports to provide targeted feedback and support continuous improvement.

Assurance compliance framework

The Department has developed an assurance compliance framework based on HMT's [assurance frameworks guidance](#)²⁴, which will be fully embedded next year. The purpose of the framework is to ensure that the Department is meeting its corporate obligations effectively, with reference to the three lines of defence model.

24 <https://www.gov.uk/government/publications/assurance-frameworks-guidance>

The Department's risk management framework and assurance framework record aligns with HMT's framework, referencing government functional standards. This will provide a comprehensive view of assurance activities, helping leaders evaluate these against specific risks and compliance needs.

Internal audit

Our internal auditors regularly review our risk management approach and the application of risk management processes in operational teams, projects and programmes, and other settings.

Compliance to the Orange Book

We have assessed our risk management approach against the UK government's [Orange Book](#).²⁵ The assessment confirmed that the Department applies the main principles for risk management in government. We comply with the requirement that management is an essential part of governance and leadership, and is fundamental to how the Department is directed, managed and controlled at all levels. Risk management was confirmed to be an integral part of all our activity to support decision-making in achieving objectives. We ensure that risk management is collaborative and informed by the best available information and expertise.

We also comply with the requirement to structure our risk management processes to include:

- risk identification and assessment to determine and prioritise how the risks should be managed
- the selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level
- the design and operation of integrated, insightful and informative risk monitoring
- timely, accurate and useful risk reporting to enhance the quality of decision-making, to support management and oversight bodies in meeting their responsibilities

However, we recognise that our risk management can be continually improved through learning and experience.

Risk capability improvements

Risk capability improvements this year include:

- embedded mission-led risk reporting, including managing risks at mission pillar board-level and where appropriate escalation to the Opportunity Mission and other mission boards
- reviewed and improved our top-tier risk reporting, including upgrading our digital reporting tool for principal and portfolio-level risks
- funded learning and development qualifications aligned with the government risk function's risk management skills and capability framework
- risk appetite statement refreshed to align to the new mission focused government priorities

²⁵ <https://www.gov.uk/government/publications/orange-book>

- continued focus on improving risk management capability and maturity across the Group, including NDPBs
- strengthened second line assurance of top-tier risks to support better risk management of these (using a combination of desktop and peer reviews)

Other sources of assurance

Counter fraud and error

The Department collaborates with PSFA and other government bodies to reduce public sector fraud. We follow the [GovS 013: Counter Fraud functional standard](#)²⁶, regularly evaluating our performance against it.

The counter fraud team provides guidance and co-ordinates activity, overseen by a Board member every two months. Each of the Department's Agencies and NDPBs has its own counter fraud team that share best practice during regular meetings.

The Department and its bodies follow a risk-based approach to ensure resources and time are focused on the highest risk areas. Fraud risk assessments are in place across each business area and are supported centrally by accredited counter fraud professionals. Assessments are completed for all major new spending initiatives, including high-risk and politically sensitive schemes, allowing the Department to develop control measures to prevent fraud and error.

The counter fraud team maintains a cycle of follow-ups against fraud risk assessments to ensure they remain 'live' documents and issues are addressed promptly to mitigate identified risks.

We routinely conduct fraud risk assessments across our spend areas, in line with PSFA guidelines. The Department has significant fraud risk due to the volume of funding it processes, particularly in the higher education, early years and school estate areas, in line with areas of significant spend. In response to these risks, the Department continues to reassess and undertake various mitigation activities to bring them in line with our risk appetite.

The Department engages GIAA to undertake a rolling review of payment controls and participates in Cabinet Office's National Fraud Initiative to detect anomalous payments that might represent fraud or error.

Upon receiving a fraud allegation, our response plan is activated, and upon conclusion a written report is provided detailing the case and any recommendations. Instances of fraud and error are reported to both PSFA quarterly and to ARC annually through updates. All material fraud and error are reported to PSFA which publishes its findings, with the latest being the [Cross-government Fraud Landscape Report 2021-22](#).²⁷

The closure of ESFA and the transfer of its functions to the Department will ensure a fully joined-up regulatory environment and a more cohesive approach to fraud and the service we offer to our delivery sectors. This change will strengthen our counter fraud efforts, positioning the Department at the forefront of counter fraud efforts across government, and leveraging our

²⁶ <https://www.gov.uk/government/publications/government-functional-standard-govs-013-counter-fraud>

²⁷ <https://www.gov.uk/government/publications/cross-government-fraud-landscape-report-2021-2022>

combined capabilities where they can have most impact. Next year, the merged counter fraud team aims to deliver an ambitious plan to understand, acknowledge, prevent and pursue fraud and error, promoting awareness to protect public resources across the education sector.

NDPB risk management

Each of the Department's NDPBs has its own governance structure with embedded risk management processes. This allows them to identify and manage their own risks. The NDPBs work in partnership with the Department, which supports their efforts and helps manage risks jointly. Each NDPB maintains a risk register that is visible to the Department.

Visibility of risk across the Group is essential for:

- identifying system-wide risks
- enabling joint efforts between NDPBs and the Department to minimise shared risks through appropriate mitigating actions
- identifying new areas of risk
- discovering new ways to mitigate similar risks

NDPB risks are escalated to the Department via the PRC, alerting them when assistance is needed and providing assurance that risks are being managed effectively, thus protecting the Group. Additionally, risks can be escalated through the network of NDPB ARC chairs led by the Departmental ARC chair.

Government Internal Audit Agency (GIAA)

The GIAA provides the internal audit service for the Department. The internal audit plan is set at the beginning of the financial year, informed by several considerations including the Department's strategic objectives, its top-tier risks and organisational changes. It is reviewed by ARC, agreed with the Permanent Secretary and revisited during the year to reflect changing circumstances.

For this financial year, the Group Chief Internal Auditor (GCIA) provided a Moderate opinion, which states that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

The distribution of ratings for individual audit reports is consistent with the previous year, and in the judgment of the GCIA, the Department has maintained an adequate system of governance, risk management and internal control. The report identifies five themes for exploration:

- governance and risk management
- Plan for Growth and Opportunity Mission
- fraud, error and value for money
- policy and programme delivery
- corporate services

The GCIA found governance and risk management to be adequate and effective, and that the Department has maintained an appropriate balance between managing risks and conducting

operations. However, the Department continues to manage several critical issues and risks assessed as 'critical/very likely' or 'likely'.

GIAA issued three Limited and no Unsatisfactory assurance internal audit reports for the 2024-25 year, as well as an Unsatisfactory report relating to 2023-24. ARC reviews all Unsatisfactory and Limited rated reports during the meeting for that period. ARC also receives progress reports at each meeting, including updates on completed and outstanding actions arising from recommendations.

Table 9: Unsatisfactory and Limited assurance rated reports

| Unsatisfactory assurance |
|---|
| Constructed Schools Commercial Controls (2023-24 audit programme) |
| Limited assurance |
| Teachers' Pension Scheme Transition Programme |
| Higher Education Operational Assurance |
| Benefits Management |

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

National Audit Office

The National Audit Office (NAO) is the UK's independent public spending watchdog. It supports Parliament in holding government to account and helping improve public services by undertaking statutory financial audit and publishing reports evaluating government spending. The NAO is independent of government and the civil service and is overseen by the Public Accounts Commission (a Parliamentary committee of MPs).

Audited bodies should respond to recommendations in the NAO's published reports, which are published as a searchable [recommendations tracker](#).²⁸

In addition to value for money reports, the NAO also provides management letters following the completion of statutory financial audits. These letters highlight areas for improvement in controls and processes, which management review, agree upon and act to address.

NAO published the following reports where the Department was the main audited body up to the publication of this ARA. Other reports relating to the Department have been published separately.

- [Preparations to extend early years entitlements for working parents in England](#)²⁹ (published on 24 April 2024)
- [Improving educational outcomes for disadvantaged children](#)³⁰ (published on 23 July 2024)

28 <https://www.nao.org.uk/recommendations-tracker/>

29 <https://www.nao.org.uk/reports/preparations-to-extend-early-years-entitlement-for-working-parents-in-england/>

30 <https://www.nao.org.uk/reports/improving-educational-outcomes-for-disadvantaged-children/>

- [Support for children and young people with special educational needs](#)³¹
(published on 24 October 2024)
- [Investigation into introducing T Levels](#)³²
(published on 28 March 2025)
- [Teacher workforce: secondary and further education](#)³³
(published on 30 April 2025)

As well as the above reports, NAO also published the following report where the Department was a witness and the Home Office was the lead department, which lead to a Public Accounts Committee inquiry:

- [Tackling violence against women and girls](#)³⁴
(published on 31 January 2025)

Public Accounts Committee

The committee evaluates the value for money of government projects, programmes and service delivery. Utilising the work of the NAO, the committee holds public evidence sessions with government officials, focused on public spending and scrutinising the implementation of government policy. Subsequently, the committee produces its own reports. Audited bodies are required to respond to the committee's recommendations which are published in a [Treasury minute](#).³⁵

Below are the recent hearings, committee reports and government responses to the recommendations. Where the Department is not the lead department this is noted.

- [Investigation into student loans issued to those studying at franchised higher education providers](#)³⁶
inquiry hearing held – 26 February 2024
inquiry report published – 24 April 2024
government response published – 5 September 2024
- [Preparations to extend childcare entitlements for working parents in England](#)³⁷
inquiry hearing held – 8 May 2024
inquiry report published – no report was published due to the general election being called. Instead, the then chair of the committee wrote to the Permanent Secretary on 24 May 2024, outlining the committee's conclusions and recommendations following the hearing.
government response published – the Permanent Secretary responded to the new chair on 25 November 2024.

31 <https://www.nao.org.uk/reports/support-for-children-and-young-people-with-special-educational-needs/>

32 <https://www.nao.org.uk/reports/investigation-into-introducing-t-levels/>

33 <https://www.nao.org.uk/reports/teacher-workforce-secondary-and-further-education/>

34 <https://www.nao.org.uk/reports/tackling-violence-against-women-and-girls/>

35 <https://www.gov.uk/government/collections/treasury-minutes#treasury-minutes-2024>

36 <https://committees.parliament.uk/work/8143/investigation-into-student-loans-issued-to-those-studying-at-franchised-higher-education-providers/>

37 <https://committees.parliament.uk/work/8364/preparations-to-extend-childcare-entitlements-for-working-parents-in-england/>

- [Support for children and young people with special educational needs](#)³⁸
inquiry hearing held – 18 November 2024
inquiry report published – 15 January 2025
government response published – 3 April 2025
- [Improving educational outcomes for disadvantaged children](#)³⁹
inquiry hearing held – 13 January 2025
inquiry report published – 7 March 2025
government response published – 15 May 2025
- [Tackling violence against women and girls](#)⁴⁰
Departmental role: witness, lead department: Home Office
inquiry hearing held – 17 March 2025
inquiry report published – 16 May 2025
government response published – unpublished

Two inquiries were underway but had not yet had hearings by the year end:

- [Introducing T Levels](#)⁴¹
inquiry hearing held – 24 April 2025
- [Increasing teacher numbers: Secondary and further education](#)⁴²
inquiry hearing held – 19 May 2025



38 <https://committees.parliament.uk/work/8582/support-for-children-and-young-people-with-special-educational-needs/>

39 <https://committees.parliament.uk/work/8588/improving-educational-outcomes-for-disadvantaged-children/>

40 <https://committees.parliament.uk/work/8824/tackling-violence-against-women-and-girls-vawg/>

41 <https://committees.parliament.uk/work/9044/introducing-t-levels/>

42 <https://committees.parliament.uk/work/9048/increasing-teacher-numbers-secondary-and-further-education/>

Regularity

Background

Regularity is the concept that departmental spending is compliant with relevant legislation and spending authorisation delegated from Parliament. Public funds must be used in accordance with the intentions of the grantor, and ultimately Parliament. Regularity reporting is a key element of Parliamentary accountability, with departments reporting against authorised spending totals as set out in SOPS. The Comptroller and Auditor General's certificate contains two opinions, one on the financial statements and another on regularity.

The Group operates under a range of statutes, primarily the Education Act 2002, Local Government Act 2003 and Children and Families Act 2014. As well as specific statutes, the Supply and Appropriation Acts set out the Department's purpose and on what we are allowed to spend by defining our 'ambit'. We must demonstrate that public funds have been used for the appropriate purposes. Whilst statutes provide the legal framework for grant payments, grants also have specific terms and conditions, including permitted uses and in some cases timeframes. Breaching these conditions constitutes irregular expenditure, falling outside Parliamentary authority. The Accounting Officer System Statement²² details how the system operates with local framework requirements.

The Group operates a risk-based approach to regularity, assessing risks associated with specific funding streams reviewing compliance throughout the life grant cycle. This leads to an assurance programme with assurance approaches tailored to the grant's risk. The main source of assurance reviews was ESFA, which oversaw the largest of the Group's grant payments.

Policy funding

Policy funding covers both grants and contractual payments to third parties delivering public services. In the Department, policy funding payments are typically awarded to academies, colleges, universities and student funding bodies, voluntary, community and social enterprise sectors, local authorities and other central government departments.

Grants are classified as either capital or resource and may be formulaic, based on pre-defined calculations, or non-formulaic, often awarded through competitive or criteria-based processes. Grants have regularity risk arising from the accuracy of the calculation of formulaic funding streams.

The Group aims to follow the [GovS 015: Grants functional standard](#)⁴³ in the awarding and management of grants. This includes ensuring that every grant has a designated senior responsible officer, aligns with the Department's remit and objectives, is covered by legislation and delivers the intended outcomes. The Department also engages in Cabinet Office's independent, cross-government complex grants advice panel, which provides expert advice on high profile or manifesto-related grants.

43 <https://www.gov.uk/government/publications/grants-standards>

The Group's grant management processes encompass strategic planning, programme design, monitoring, fraud prevention and resource allocation, with robust controls to safeguard public funds.

Cabinet Office requirements

Continuing improvement assessment framework

The assessment framework is designed to drive continuous improvement to our grant management processes, by helping assess compliance against the functional standards. The return is validated by GIAA ahead of submission to Cabinet Office.

The most recent return submitted (covering the last financial year) showed a significant improvement in compliance from the previous return, moving from good to better, and the Department is embedding recommendations from the process.

Assurance requirements and arrangements

Assurance requirements vary based on the funding type, both in their legal form (grant or contract), whether they are formulaic or general, or ring-fenced or non-ringfenced. Note [6](#) provides more details over policy funding.

Grant agreements include provisions to secure annual regularity assurance. For academic-year grants which span two of our financial years (eg schools: September to August, further education: August to July) independent assurance is required for both years. For lower risk programmes, lagged assurance at the end of the academic year may be appropriate.

The Department maintains a grant register and data repository, aligned with the Government Grant Information System. The register stores data and documents which demonstrate and assure the grants' regularity including financial information, business cases, approvals, grant offer letters, sampling, reconciliations and annual certifications. An improvement to the register this year has been the inclusion of award-level data which allows a clearer reconciliation within the grant scheme.

The register forms the basis of the Department's risk rating and internal assurance for core grants, allowing a risk rating and subsequent sampling processes.

The Department also employs alternative assurance arrangements such as enhanced monitoring, and sampling and pre-certification validation. Funding audits verify key inputs, like pupil census data, which underpin core funding allocations and pupil premium entitlements. The Group recovers funds where irregular spend is identified.

The Department's grants centre of excellence supports senior officers responsible and grant managers with expert training and guidance to ensure adherence with requirements and best practice. A key development this year has been the launch of a new more user-friendly intranet site aligned with Cabinet Office's six-stage grant life cycle. The approach to the guidance has also been reviewed by GIAA and received a substantial rating.

Capital funding

For formulaic grants, assurance is received on a predominantly lagged basis. In addition to the work undertaken above, this is through:

- self-declaration of section 151 returns for local authorities
- the school condition allocation capital spend survey
- confirming processes are being followed and comply with allocation models, including high needs, school condition allocations and devolved formula capital

For general grants, additional work includes:

- review of condition improvement fund site visits, ensuring appropriate procedures are in place
- checking claims made have independent supporting evidence before payment

Overspend

As noted in the [Financial review of the year](#) the Department exceeded its RDEL excluding depreciation HMT limit by £590,000. The Department is taking steps to tighten its financial processes.

Assurance outcomes

Policy funding

A key assurance risk continues to be grants paid to local authorities. This year there have been two main considerations, the historical delays in local authorities publishing their audited ARAs and the expansion of the early years childcare programme, which forms part of the dedicated schools grant and is paid directly to local authorities.

To tackle the backlog of unaudited local authority ARAs, the Ministry of Housing, Communities and Local Government amended the Accounts and Audit Regulations 2015 requiring local authorities to publish audited ARAs for all years up to and including 2022-23 by 13 December 2024, and for 2023-24 by the end of February 2025. Whilst the majority of local authorities have met these deadlines, it has led to a number of ARAs with disclaimed audit opinions, where the auditors have been unable to complete sufficient work to provide a full opinion. At the time of our assurance report, of the 153 expected sets of ARAs, 41% had unqualified opinions, 47% had a disclaimed opinion, 3% had a qualified opinion and 9% remained outstanding. For those local authorities assessed as presenting an increased risk due to their ARA position and other identified control weaknesses, we sought additional assurances by reviewing and assessing other audit evidence.

The significant expansion of the early years childcare programme, with the introduction of new age groups of young children, new childcare entitlement criteria for working parents and significantly increased funding, has led us to consider this to be an area of potential risk. In response to this risk, we have significantly increased our assurance work in this area focusing on local authorities' control arrangements over early years provision and carrying out additional testing through our funding audit work.

We concluded that, considering both areas of assurance activity, funds allocated to local authorities had been used for the purposes intended.

In arriving at its overall assurance opinion, ESFA considered the value of funding and its assurance opinions for each funding stream and provider type. Of the three possible opinions (substantial, moderate, or restricted), ESFA's Head of Assurance concluded an overall substantial assurance opinion for grant funded activity and that, in all material respects, providers had applied funds for the purposes intended by Parliament.

Other providers

The Department identified serious historic issues at Ecctis, the supplier who manages the UK National Information Centre (UK ENIC) service for the Department, as part of preparations to re-procure the service. UK ENIC is the official agency for the recognition and comparison of international qualifications and skills.

We took immediate steps to ensure the issues were comprehensively addressed and in line with its contractual obligations to provide UK ENIC services, Ecctis paid £13.6 million to address all surpluses that had not been reinvested back into the UK ENIC service since 2014. These funds were passed to the Exchequer. The Department has reviewed and strengthened contract management arrangements to oversee delivery of the service and also decided to make statutory provision for charging for UK ENIC services.

Student loans

Assurance on the regularity of student loan payments is primarily received via GIAA's testing.

Improvements in year

In response to GIAA's recommendation to move towards quarterly testing, in the prior year we successfully moved to a model whereby SLC collaborate with GIAA to deliver the exercise which enabled SLC to enact plans to complete more regular testing. This has allowed SLC to identify and resolve issues promptly in year.

Outcomes

The number of cases in the sample that could have created a payment error has decreased from 44 to 28, decreasing the extrapolated error to £327 million (prior year: £405 million). However, because of the uncertainty surrounding the central estimate, it is not possible to determine whether the true error rate has increased, decreased or stayed the same.

Sector delivery contracts

We have incorporated into our policy funding note spend on contracts which deliver benefits to the education and children's services sectors outside the Group. These are contracts with a supplier to provide goods or services that are delivered directly to schools, pupils or other recipients across the two sectors. These contracts are awarded using our standard procurement processes and commercial governance arrangements. We have considered how our regularity assurance arrangements should apply to these cases.

This year we reviewed the application of our assurance processes for sector delivery contracts. Through that process, the evidence required to demonstrate regularity for some expenditure was insufficient. This did however remain below the Department's threshold for further investigation. We have commissioned GIAA to audit spend authorisation in this area and they will report early next year.

Management of outside interests and business appointments

Identifying and managing conflicts of interest

The Civil Service Management Code sets out the standard of propriety for civil servants. It states that ‘civil servants must not misuse their official position or information acquired in the course of their official duties to further their private interests or those of others’.

Civil servants

The Department provides guidance to staff to support their assessment of a conflict of interest, whether this is actual, potential or perceived. It is the responsibility of the individual to declare all interests that could be relevant to their role and to discuss the interest with their line manager; this information is held de-centralised across the organisation. We are working on a centralised solution for next year.

In addition, senior civil servants must adhere to the declaration and management of outside interests policy. The Department published the [prior year's information](#)⁴⁴ in line with Cabinet Office requirements and information relating to this financial year will be published in due course.

Special advisers

In line with the current declaration of interest policy for special advisers, all special advisers have declared any relevant interests or confirmed they do not consider they have any relevant interests. The Permanent Secretary has considered these returns and the following interests are set out in public:

Table 10: Declarable interests held by special advisers in the year

| Full name | Details of interest |
|---------------------------------------|---|
| Rosemary Roche (from 11 July 2024) | Her father (Professor Patrick Roche) is the interim Principal of Hertford College, University of Oxford |
| Tim Waters (from 5 July 2024) | Mr Waters' partner is the acting Head of Member Liaison at UNISON |

Ministers

The [Ministerial Code](#)⁴⁵ sets out the standards of conduct expected of ministers and how they discharge their duties. Under the terms of the code, ministers must ensure that no conflict arises, or could reasonably be perceived to arise, between their public duties and their private interests, financial or otherwise.

44 <https://www.gov.uk/government/publications/department-for-education-dfe-senior-civil-servants-secondary-employment>

45 <https://www.gov.uk/government/publications/ministerial-code>

Ministers are required to provide a list of all interests which might give rise to a conflict, which is published twice yearly. There is also guidance for staff involved in procurement exercises for high-profile, strategic contracts to review the register and put required mitigations in place.

Business appointments

In compliance with business appointment rules (BARs), the Department is transparent in the [advice given to individual applications for senior staff](#)⁴⁶ including special advisers. To improve transparency the Department publishes advice regarding specific business appointments for staff in SCS roles.

Individuals should discuss with their manager all offers of intended appointments or employment as early as possible and before any commitment or announcement is made. Both should then check the BARs to see if the potential future appointment or employment needs approval, completing the business appointment application form if necessary. The application may be approved unconditionally, approved with conditions or rejected.

While BARs apply to all staff, applications covering senior civil servants must be published. Any applications from someone who is a director or above are considered by either the relevant director general, the Permanent Secretary or the external Advisory Committee on Business Appointments depending on the applicant's grade. In broad terms, SCS1 refers to deputy directors, SCS2 to directors and SCS3 to directors general.

Table 11: Business appointment rules analysis for the year

| | SCS1 (or equivalent) | SCS2 (or equivalent) | SCS3 (or equivalent) | Special advisers |
|--|----------------------|----------------------|----------------------|------------------|
| Number of SCS exits from the Civil Service | 6 | 5 | – | – |
| Number of BAR appointments submitted to the Department over the year | – | 2 | – | – |
| Number of BAR applications approved by the Department over the year | – | 2 | – | – |
| Number of BAR applications where conditions were set by the Department over the year (by grade) | – | 2 | – | – |
| Number of applications that were found to be unsuitable for the applicant to take up by the Department over the year | – | – | – | – |
| Number of breaches of the rules in the preceding year | – | – | – | – |

46 <https://www.gov.uk/government/publications/dfe-business-appointment-rules-advice>

Corporate governance code

The Department has complied with HMT and Cabinet Office's 'Corporate Governance for Central Government Departments: code of good practice (2017)'.

During the year, the Department held five board meetings, one under the Rt Hon Gillian Keegan MP and four under the Rt Hon Bridget Phillipson MP, ensuring sufficient reporting of the Department's activities.

To manage any conflicts of interest, the Department maintains a register of board member interests. Board members are required to declare any potential conflicts that arise. Where a potential conflict is identified, board members are not involved in discussions or decisions on the matter in question. The code of good practice states that a formal evaluation of the Board's performance should take place annually. Evaluations occur after the end of a given financial year, usually in July. This year the evaluation of 2023-24 financial year, which was proposed for July 2024, was cancelled due to the significant changes in Board membership. The evaluation of this financial year's performance, slated for July 2025, will be a light-touch evaluation of the Board and ARC due to substantial changes to Board membership.

The Board and its committees consider management information covering a variety of disciplines. This information includes financial data and information on the Department's strategy for and delivery of the Opportunity Mission. Additionally, the Board considered the Department's contribution to the government's other missions and mission pillars, including the Skills for Opportunity and Growth Pillar as part of the Growth Mission. In addition, the departmental risk appetite statement was accepted as part of the Board's duties and top-tier risks were regularly reviewed by ARC and the Board. Board members have noted and acknowledged the improved provision of data and materials that they review in and out of board meetings, particularly with regards to data provided on the government Missions and mission pillars to which the Department contributes. This has enabled the Board and its relevant sub-committees to hold officials to account in the delivery of the government's priorities.

Conclusion

I have considered the evidence provided regarding the production of the Governance Statement and the independent advice and assurance provided by ARC. I conclude that the Department has satisfactory governance and risk management systems in place with effective plans to ensure continuous improvement.

Susan Acland-Hood

Accounting Officer

11 July 2025

Remuneration and staff report

Overview

The remuneration and staff report sets out the Department's remuneration policy for board-level members (including all directors general). It details how policy has been implemented, sets out the amounts awarded to board-level members and, where relevant, the link between performance and pension.

Remuneration report: part A (unaudited)

Ministers' and other board members remuneration policy

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

Performance management and reward policy for members of the SCS is managed within a central framework set by Cabinet Office. It allows for annual performance-related base pay and non-consolidated performance awards, agreed centrally each year following Senior Salaries Review Body (SSRB) recommendations.

SCS pay is decided by the Senior Civil Service Remuneration Committee, chaired by the Permanent Secretary and comprising members of the Leadership Team. The committee makes decisions within the limits and delegated authorities set by the government in response to the annual report of the SSRB, who [publish additional information](#).⁴⁷

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

The Permanent Secretary is appointed by the Prime Minister on the recommendation of the Head of the Home Civil Service and with the agreement of the ministerial head of the Department. The Permanent Secretary's pay is set by the Prime Minister on the recommendation of the Permanent Secretaries Remuneration Committee, a sub-committee of the SSRB.

Members of the Leadership Team are appointed by the Permanent Secretary with the agreement of the Prime Minister and the external Civil Service Senior Leadership Committee where appropriate.

All board members' contractual terms comply with the requirements set centrally for the SCS by Cabinet Office, and the exact terms offered reflect the requirement of the post. The principles governing recruitment to, and departure from, the Civil Service, including details of compensation for early termination, are set out in the [Civil Service Management Code](#).⁴⁸

⁴⁷ <https://www.gov.uk/government/organisations/review-body-on-senior-salaries>

⁴⁸ <https://www.gov.uk/government/publications/civil-servants-terms-and-conditions>

In line with the Constitutional Reform and Governance Act 2010 and the Model Contract for Special Advisers, a special adviser's appointment automatically ends when their appointing minister leaves office. Special advisers are not entitled to a notice period but receive contractual termination benefits to compensate for this.

Termination benefits are based on length of service and capped at six months' salary. If a special adviser returns to work for the government following the receipt of a severance payment, the payment is required to be repaid less a deduction in lieu of wages for the period until their return. Termination costs for special advisers are reported in Cabinet Office's ARA.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The recruitment principles published by the [Civil Service Commission](#)⁴⁹ specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Remuneration report: part B (audited)

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the ministers and most senior management (ie board members and directors general) of the Department.

Where members joined or left the Board during the year, annualised remuneration is presented in brackets alongside the in-year value. Where ministers changed roles during the year, and subsequently left before the year end, annualised disclosures are based on their final role.

49 <https://www.civilservicecommission.org.uk/>

Ministers

2024-25

| | Salary | Severance payment | Pension benefit | Total |
|---|---------------------|-------------------|-------------------|-------------------|
| | £ | £ | to nearest £1,000 | to nearest £1,000 |
| Secretaries of State | | | | |
| Rt Hon Gillian Keegan MP to 4 July 2024 annualised value | 17,784 (67,505) | 16,876 | 4,000 | 39,000 |
| Rt Hon Bridget Phillipson MP from 5 July 2024 annualised value | 49,721 (67,505) | – | 13,000 | 62,000 |
| Ministers of State | | | | |
| Rt Hon Damian Hinds MP to 4 July 2024 annualised value | 8,346 (31,680) | 7,920 | 2,000 | 18,000 |
| Luke Hall MP to 4 July 2024 annualised value | 8,346 (31,680) | 7,920 | 2,000 | 18,000 |
| Rt Hon Baroness Smith from 5 July 2024 annualised value | 86,804 (117,851) | – | 15,000 | 102,000 |
| Catherine McKinnell MP from 8 July 2024 annualised value | 23,164 (31,680) | – | 6,000 | 29,000 |
| Rt Hon Anneliese Dodds MP from 8 July 2024 to 28 February 2025 annualised value | – (–) | – | – | – |
| Parliamentary Under Secretaries of State | | | | |
| Baroness Barran to 4 July 2024 annualised value | – (–) | – | – | – |
| David Johnston MP to 4 July 2024 annualised value | 5,895 (22,375) | 5,593 | 1,000 | 13,000 |
| Janet Daby MP from 9 July 2024 annualised value | 16,300 (22,375) | – | 4,000 | 21,000 |
| Stephen Morgan MP from 9 July 2024 annualised value | 16,300 (22,375) | – | 4,000 | 21,000 |
| Rt Hon Sir Stephen Timms MP from 8 July 2024 annualised value | – (–) | – | – | – |
| Dame Nia Griffith MP from 8 October 2024 annualised value | – (–) | – | – | – |
| Seema Malhotra MP from 8 October 2024 annualised value | – (–) | – | – | – |

In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP £91,346 (from 1 April 2024) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

Remuneration for the following ministers was paid by the departments named where they hold other ministerial roles; further details can be found in the relevant department's published ARA:

- Rt Hon Anneliese Dodds MP – Foreign, Commonwealth and Development Office
- Rt Hon Sir Stephen Timms MP – Department for Work and Pensions
- Dame Nia Griffith MP – Wales Office
- Seema Malhotra MP – Home Office

Salary costs reported for ministers reflect the pay received for their period of appointment as a department minister. Where ministers move departments in month, the originating department will pay the full month's salary.

Baroness Barran did not receive remuneration for her position for either year presented here.

No benefits-in-kind were paid to ministers during the year (prior year: £nil).



2023-24

| | Salary | Severance payment | Pension benefit | Total |
|---|--------------------|-------------------|-------------------|-------------------|
| | £ | £ | to nearest £1,000 | to nearest £1,000 |
| Secretary of State | | | | |
| Rt Hon Gillian Keegan MP | 67,505 | – | 18,000 | 86,000 |
| Ministers of State | | | | |
| Rt Hon Nick Gibb MP to 13 November 2023 annualised value | 19,536 (31,680) | 7,920 | 5,000 | 32,000 |
| Rt Hon Robert Halfon MP to 26 March 2024 annualised value | 31,254 (31,680) | 7,920 | 9,000 | 48,000 |
| Rt Hon Damian Hinds MP from 23 November 2023 annualised value | 12,144 (31,680) | – | 3,000 | 15,000 |
| Luke Hall MP from 26 March 2024 annualised value | 426 (31,680) | – | – | – |
| Parliamentary Under Secretaries of State | | | | |
| Baroness Barran | – | – | – | – |
| Claire Coutinho MP to 30 August 2023 annualised value | 9,323 (22,375) | – | 2,000 | 12,000 |
| David Johnston MP from 31 August 2023 annualised value | 13,112 (22,375) | – | 3,000 | 16,000 |

Officials

2024-25

| | Salary | Benefits -in-kind | Pension benefit | Total |
|----------------------------|---------|-------------------|-------------------|---------|
| | £000 | to nearest £100 | to nearest £1,000 | £000 |
| Permanent Secretary | | | | |
| Susan Acland-Hood | 180-185 | – | 137 | 320-325 |
| Directors General | | | | |
| Justin Russell | 150-155 | 2,000 | 80 | 235-240 |
| Juliet Chua | 155-160 | – | 85 | 240-245 |
| Julia Kinniburgh | 155-160 | – | 103 | 255-260 |
| John Edwards | 165-170 | 6,600 | 61 | 230-235 |
| Tony Foot | 140-145 | – | 82 | 220-225 |
| Jane Cunliffe | 145-150 | – | 84 | 230-235 |

Accrued pension benefits included in this table for any individual affected by the public service pensions remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The public service pensions remedy applies to individuals that were members, or eligible to

be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the alpha scheme for the period from 1 April 2015 to 31 March 2022.

No bonuses were awarded to the Department's SCS, including the Leadership Team, this year due to affordability concerns when looked at alongside wider remuneration decisions across the Department.

2023-24

| | Salary | Bonus payment | Benefits -in-kind | Pension benefit | Total |
|------------------------------------|-----------|---------------|-------------------|-------------------|------------|
| | | | | (Restated) | (Restated) |
| | £000 | £000 | to nearest £100 | to nearest £1,000 | £000 |
| Permanent Secretary | | | | | |
| Susan Acland-Hood | 170-175 | – | – | 108 | 280-285 |
| Directors General | | | | | |
| Indra Morris | | | | | |
| to 1 June 2023 | 30-35 | – | – | – | 30-35 |
| annualised value | (140-145) | | | | |
| Graham Archer | | | | | |
| from 31 May 2023 to 1 October 2023 | 40-45 | – | – | 102 | 140-145 |
| annualised value | (120-125) | | | | |
| Justin Russell | | | | | |
| from 2 October 2023 | 70-75 | 0-5 | – | 109 | 185-190 |
| annualised value | (140-145) | | | | |
| Caroline Pusey | | | | | |
| to 21 May 2023 | 10-15 | – | – | 24 | 35-40 |
| annualised value | (85-90) | | | | |
| Heather McNaughton | | | | | |
| to 21 May 2023 | 10-15 | – | – | 21 | 35-40 |
| annualised value | (85-90) | | | | |
| Juliet Chua | | | | | |
| from 22 May 2023 | 125-130 | 10-15 | – | 51 | 190-195 |
| annualised value | (135-140) | | | | |
| Julia Kinniburgh | 145-150 | 5-10 | 300 | 90 | 245-250 |
| John Edwards | 160-165 | 10-15 | 13,500 | 58 | 245-250 |
| Tony Foot | 130-135 | 5-10 | – | 165 | 305-310 |
| Jane Cunliffe | 140-145 | 5-10 | – | 197 | 345-350 |

The table above has been restated to include pension benefit values which were unavailable at the time last year's ARA was published. The omission of the values was caused by a delay in their issue by the pension scheme administrator due to complexity of reflecting the effects of the public service pensions remedy in the values.

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in these accounts.

Benefits-in-kind

The monetary value of benefits-in-kind covers any benefits provided by the Department and treated by HM Revenue and Customs (HMRC) as a taxable emolument. Both directors general who received benefits-in-kind did so to cover the cost of multi-site working, as permitted by the Civil Service Management Code. No non-executive board members received benefits-in-kind in the year (prior year: nil).

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual.

Pensions

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

The pension benefits of any members affected by the public service pensions remedy which were reported in 2022-23 based on alpha membership for the period between 1 April 2015 and 31 March 2022 have been reported since 2023-24 based on Principal Civil Service Pension Scheme (PCSPS) membership for the same period.

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the 25th percentile, the median and the 75th percentile remuneration of the organisation's workforce. The disclosures here cover staff at the Department and its Agencies.

The banded remuneration of the highest-paid director in the Department in the year was £180,000-£185,000 (prior year: £185,000-£190,000). This was 4.0 times (prior year: 4.3) the median remuneration of the workforce, which was £46,192 (prior year: £43,825).

In the current year, no employees (prior year: nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £22,000-£185,000 (prior year: £23,000-£190,000).

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

| | 2024-25 | | 2023-24 | |
|--------------------------------------|-----------------------|------------------------|-----------------------|------------------------|
| | Salary and allowances | Total pay and benefits | Salary and allowances | Total pay and benefits |
| | £ | £ | £ | £ |
| Band of highest paid director (£000) | 180-185 | 180-185 | 160-165 | 185-190 |
| Range (£000) | 22-185 | 22-185 | 23-165 | 23-190 |
| Upper quartile (75%) | 57,222 | 58,122 | 54,971 | 55,764 |
| Median (50%) | 45,492 | 46,192 | 43,325 | 43,825 |
| Lower quartile (25%) | 37,718 | 38,168 | 35,914 | 35,921 |
| | Ratio | Ratio | Ratio | Ratio |
| Upper quartile (75%) | 3.2:1 | 3.1:1 | 3.0:1 | 3.4:1 |
| Median (50%) | 4.0:1 | 4.0:1 | 3.8:1 | 4.3:1 |
| Lower quartile (25%) | 4.8:1 | 4.8:1 | 4.5:1 | 5.2:1 |

Percentage change in the total salary and bonuses of the highest paid director and the staff average

| | 2024-25 | | 2023-24 | |
|-----------------------|-----------------------|---------------|-----------------------|---------------|
| | Highest paid director | Staff average | Highest paid director | Staff average |
| | % change | % change | % change | % change |
| Salary and allowances | 12.3% | 5.2% | 14.0% | 4.6% |
| Bonuses | (100.0%) | 29.7% | (28.6%) | (64.0%) |

There has been a change in the identity of the highest paid director between this year and last year. The two individuals receive remuneration with different profiles across the separate elements of total remuneration. This change can be seen in the table above, whilst the highest paid director's total pay and benefits has fallen slightly across the two years, salary and allowances has increased.

The difference in the highest paid director's remuneration profile has driven the movements in the quartile values and ratios, and the percentage changes reported in the two tables above. There have been no significant changes to staffing levels or remuneration policies in the year. The lack of senior staff bonuses this year has driven the total reduction in the change in bonus percentage in the table above.

Non-executive fees

| | 2024-25 | 2023-24 |
|--|--------------------|-------------------|
| | £ | £ |
| Richard Pennycook to 10 February 2025 annualised value | 17,217 (20,000) | 20,000 |
| Toby Peyton-Jones to 28 February 2025 annualised value | 13,750 (15,000) | 15,000 |
| Stuart McMinnies | 15,000 | 15,000 |
| Sir Peter Bazalgette | 15,000 | 15,000 |
| Jack Boyer | 15,000 | 15,000 |
| Sir Kevan Collins from 10 July 2024 annualised value | 11,766 (20,000) | – |
| Margaret Casely-Hayford from 1 March 2025 annualised value | 1,250 (15,000) | – |
| Steve Crocker from 1 March 2025 annualised value | 1,250 (15,000) | – |
| Naomi Eisenstadt from 1 March 2025 annualised value | 1,250 (15,000) | – |
| Rebecca George from 1 March 2025 annualised value | 1,250 (15,000) | – |
| Suzy Levy from 31 May 2022 to 13 April 2023 annualised value | – | 1,846 (15,000) |

Where non-executive members joined or left the Board during the year, annualised remuneration is presented in brackets. The annualised value for Sir Kevan Collins is calculated applying his fees for the Lead Non-executive Board Member role he was in-post for at year end.

Pension benefits

Ministers

| | Accrued pension at age 65 as at 31 March 2025 | Real increase in pension at age 65 | CETV at 31 March 2025 | CETV at 31 March 2024 | Real increase in CETV |
|---|---|------------------------------------|-----------------------|-----------------------|-----------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Secretaries of State | | | | | |
| Rt Hon Gillian Keegan MP | 0–5 | 0–2.5 | 60 | 54 | 3 |
| Rt Hon Bridget Phillipson MP | 0–5 | 0–2.5 | 12 | – | 6 |
| Ministers of State | | | | | |
| Rt Hon Damian Hinds MP | 5–10 | 0–2.5 | 102 | 100 | 1 |
| Luke Hall MP | 0–5 | 0–2.5 | 15 | 13 | 1 |
| Rt Hon Baroness Smith | 0–5 | 0–2.5 | 20 | – | 13 |
| Catherine McKinnell MP | 0–5 | 0–2.5 | 6 | – | 4 |
| Rt Hon Anneliese Dodds MP | – | – | – | – | – |
| Parliamentary Under Secretaries of State | | | | | |
| Baroness Barran | – | – | – | – | – |
| David Johnston MP | 0–5 | 0–2.5 | 4 | 3 | 1 |
| Janet Daby MP | 0–5 | 0–2.5 | 5 | – | 3 |
| Stephen Morgan MP | 0–5 | 0–2.5 | 4 | – | 2 |
| Rt Hon Sir Stephen Timms MP | – | – | – | – | – |
| Dame Nia Griffith MP | – | – | – | – | – |
| Seema Malhotra MP | – | – | – | – | – |

The 2025 cash equivalent transfer value (CETV) values presented above are as at the date ministers left the Department or year end. The 2024 CETV balances presented have been restated following a change in methodology used by the actuaries to calculate pension benefits.

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute, and the rules are set out in the [Ministers' etc. Pension Scheme 2015](#).⁵⁰

Those ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report).

Benefits for ministers are payable from state pension age under the 2015 scheme. Pensions are re-valued annually in line with pensions increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 ministerial pension schemes.

⁵⁰ <https://mypcpfpension.co.uk/>

Cash equivalent transfer value

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

The real increase in the value of the CETV

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

Officials

2024-25

| | Accrued pension at age 65 as at 31 March 2025 | Real increase in pension at age 65 | CETV at 31 March 2025 | CETV at 31 March 2024 | Real increase in CETV |
|----------------------------|---|------------------------------------|-----------------------|-----------------------|-----------------------|
| (Restated) | | | | | |
| | £000 | £000 | £000 | £000 | £000 |
| Permanent Secretary | | | | | |
| Susan Acland-Hood | 80-85 | 7.5-10 | 1,473 | 1,307 | 103 |
| Directors General | | | | | |
| Justin Russell | 50-55 | 2.5-5 | 1,108 | 989 | 70 |
| Juliet Chua | 40-45 plus a lump sum of 95-100 | 2.5-5 plus a lump sum of 2.5-5 | 856 | 753 | 62 |
| Julia Kinniburgh | 70-75 plus a lump sum of 40-45 | 5-7.5 plus a lump sum of 0-2.5 | 1,395 | 1,294 | 67 |
| John Edwards | 25-30 | 2.5-5 | 440 | 357 | 42 |
| Tony Foot | 45-50 plus a lump sum of 110-115 | 2.5-5 plus a lump sum of 2.5-5 | 886 | 791 | 55 |
| Jane Cunliffe | 45-50 | 2.5-5 | 852 | 757 | 56 |

Accrued pension benefits included in this table for any individual affected by the public service pensions remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The public service pensions remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service

pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the alpha scheme for the period from 1 April 2015 to 31 March 2022.

2023-24

| | Accrued pension at age 65 as at 31 March 2024 | Real increase in pension at age 65 | CETV at 31 March 2024 | CETV at 31 March 2023 | Real increase in CETV |
|----------------------------|---|------------------------------------|-----------------------|-----------------------|-----------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Permanent Secretary | | | | | |
| Susan Acland-Hood | 70-75 | 5-7.5 | 1,307 | 1,122 | 76 |
| Directors General | | | | | |
| Indra Morris | – | – | – | – | – |
| Graham Archer | 60-65 plus a lump sum of 170-175 | 2.5-5 plus a lump sum of 10-12.5 | 1,526 | 1,389 | 108 |
| Justin Russell | 45-50 | 5-7.5 | 989 | 856 | 101 |
| Caroline Pusey | 25-30 plus a lump sum of 75-80 | 0-2.5 plus a lump sum of 0-2.5 | 573 | 545 | 20 |
| Heather McNaughton | 20-25 plus a lump sum of 60-65 | 0-2.5 plus a lump sum of 0-2.5 | 484 | 460 | 18 |
| Juliet Chua | 35-40 plus a lump sum of 90-95 | 2.5-5 plus a lump sum of 0-2.5 | 753 | 663 | 33 |
| Julia Kinniburgh | 60-65 plus a lump sum of 40-45 | 2.5-5 plus a lump sum of 0-2.5 | 1,247 | 1,119 | 21 |
| John Edwards | 20-25 | 2.5-5 | 357 | 274 | 40 |
| Tony Foot | 40-45 plus a lump sum of 105-110 | 7.5-10 plus a lump sum of 12.5-15 | 791 | 601 | 129 |
| Jane Cunliffe | 40-45 | 10-12.5 | 757 | 544 | 157 |

The table above was not included in last year's ARA; the values were unavailable at the time last year's ARA was published. The omission of the values was caused by a delay in their issue by the pension scheme administrator due to complexity of reflecting the effects of the public service pensions remedy in the values.

Cash equivalent transfer value

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits

that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. Before 1 April 2015, the only scheme was the PCSPS, which is divided into a few different sections – classic, premium, and classic plus – provide benefits on a final salary basis, whilst nuvos provides benefits on a career average basis. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme (CSOPS) or alpha, which provides benefits on a career average basis. All newly appointed civil servants, and the majority of those already in service, joined the new scheme.

The PCSPS and alpha are unfunded statutory schemes. Employees and employers make contributions (employee contributions range between 4.6% and 8.05%, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the pensions increase legislation. Instead of the defined benefit arrangements, employees may opt for a defined contribution pension with an employer contribution, the partnership pension account.

In alpha, pension builds up at a rate of 2.32% of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HMT. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to alpha from the PCSPS had their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha.

The accrued pensions shown in this report are the pension the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal pension age is 60 for members of classic, premium, and classic plus, 65 for members of nuvos, and the higher of 65 or state pension age for members of alpha. The pension figures in this report show pension earned in PCSPS or alpha – as appropriate. Where a member has benefits in

both the PCSPS and alpha, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages.

When the government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to alpha. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members (the “McCloud judgment”).

As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The [public service pensions remedy](#)⁵¹ is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023.

The accrued pension benefits, CETV and single total figure of remuneration reported for any individual affected by the public service pensions remedy have been calculated based on their inclusion in the PCSPS for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The public service pensions remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the PCSPS for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the alpha scheme for the period from 1 April 2015 to 31 March 2022.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General master trust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

Further details about the Civil Service pension arrangements can be found at www.civilservicepensionscheme.org.uk.⁵²

Payments to past directors

No payments have been made to former directors of the Department in the current financial year (prior year: £nil).

51 <https://www.gov.uk/government/collections/how-the-public-service-pension-remedy-affects-your-pension>

52 <https://www.civilservicepensionscheme.org.uk/>

Staff report: part A (audited)

Staff costs

| | | | | 2024-25 | 2023-24 |
|---|----------------------------------|---------------|------------|----------------|----------------|
| | Permanently employed staff | Other | Ministers | Total | Total |
| | £000 | £000 | £000 | £000 | £000 |
| Wages and staff costs | 592,660 | 36,552 | 206 | 629,418 | 618,911 |
| Social security costs | 68,951 | – | 26 | 68,977 | 68,536 |
| Pensions costs | 151,288 | – | 23 | 151,311 | 136,654 |
| Sub-total | 812,899 | 36,552 | 255 | 849,706 | 824,101 |
| Less: | | | | | |
| recoveries in respect of outward secondments | (951) | – | – | (951) | (633) |
| capitalised staff costs | (34,211) | – | – | (34,211) | (30,158) |
| Total | 777,737 | 36,552 | 255 | 814,544 | 793,310 |
| Of which: | | | | | |
| Department | 441,366 | 31,965 | 255 | 473,586 | 457,646 |
| Agencies | 51,154 | 335 | – | 51,489 | 59,128 |
| NDPBs | 285,217 | 4,252 | – | 289,469 | 276,536 |
| Total | 777,737 | 36,552 | 255 | 814,544 | 793,310 |

Staff costs disclosed above include costs of staff involved in asset creation (operational, education sector or intangibles) or programmes classified to capital budgets. As such staff costs are included in the asset's carrying value or included in the capital grant-in-kind expense. A deduction is then made to remove these costs to calculate the staff costs per SoCNE.

Average numbers of persons employed

The monthly average number of full-time equivalent persons employed during the year is shown in the table below.

| | | | | 2024-25 | 2023-24 |
|--------------|----------------------------------|------------|-----------|---------------|---------------|
| | Permanently employed staff | Other | Ministers | Total | Total |
| | Number | Number | Number | Number | Number |
| Department | 6,840 | 230 | 5 | 7,075 | 6,991 |
| Agencies | 833 | 4 | – | 837 | 935 |
| NDPBs | 5,229 | 188 | – | 5,417 | 5,457 |
| Total | 12,902 | 422 | 5 | 13,329 | 13,383 |

As well as the staff disclosed above, the Department had 4 special advisers (prior year: 4). Since special adviser staff costs are borne by Cabinet Office so their costs are not included in the table, their staff numbers are removed from the second table to be consistent.

A disaggregation across Group reporting bodies of staff costs and numbers for permanently employed and other staff are presented in [Annex E](#).

Pension schemes

The Group operates a range of pension schemes for its employees depending upon their role. Details of the Group's pension schemes are described further below.

Civil Service pensions

The PCSPS and the Civil Servant and Other Pension Scheme (CSOPS), known as alpha, are unfunded multi-employer defined benefit schemes, but the Department is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2020. You can find details in the resource accounts of the [Cabinet Office: Civil Superannuation](#).⁵³

For this financial year, Department and Agencies employers' contributions of £109.5 million (prior year: £99.5 million) were payable to the CSOPS at 28.97% of pensionable earnings. It is estimated that employer contributions for the next financial year will be £106.4 million (current year: £106.9 million).

The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during the financial year to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Partnership pension accounts

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. In this financial year, Department and Agencies employers' contributions of £547,000 (prior year: £559,000) were paid to one or more of the panel of three appointed stakeholder pension providers.

Employer contributions are age-related and range from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings. In addition, Department and Agencies employer contributions of £19,000 (prior year: £19,000), 0.5% of pensionable pay, were payable to the CSOPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the year end were £74,000 (prior year: £70,000). Contributions prepaid at that date were £nil (prior year: £nil).

Reporting of Civil Service and other compensation schemes

Numbers and costs are based on estimated values of exit packages; and expected number of agreed departures are based on the best information available to management at the time of preparing the accounts.

⁵³ <https://www.civilservicepensionscheme.org.uk/knowledge-centre/resources/resource-accounts/>

Department and Agencies

| | 2024-25 | | | 2023-24 | | |
|--------------------------------------|--------------------------|-----------------------|------------|--------------------------|-----------------------|------------|
| | Compulsory redundancy | Other agreed exits | Total | Compulsory redundancy | Other agreed exits | Total |
| | Number | Number | Number | Number | Number | Number |
| <£10,001 | – | 3 | 3 | – | – | – |
| £10,001-£25,000 | – | – | – | – | 4 | 4 |
| £25,001-£50,000 | – | 1 | 1 | – | 10 | 10 |
| £50,001-£100,000 | – | 3 | 3 | – | (2) | (2) |
| £100,001-£150,000 | – | 1 | 1 | – | 1 | 1 |
| £150,001-£200,000 | – | 1 | 1 | – | – | – |
| Total number of exit packages | – | 9 | 9 | – | 13 | 13 |
| Total costs (£000) | – | 609 | 609 | – | 711 | 711 |

Group

| | 2024-25 | | | 2023-24 | | |
|--------------------------------------|--------------------------|-----------------------|--------------|--------------------------|-----------------------|--------------|
| | Compulsory redundancy | Other agreed exits | Total | Compulsory redundancy | Other agreed exits | Total |
| | Number | Number | Number | Number | Number | Number |
| <£10,001 | – | 8 | 8 | – | 6 | 6 |
| £10,001-£25,000 | – | 11 | 11 | – | 10 | 10 |
| £25,001-£50,000 | – | 10 | 10 | – | 12 | 12 |
| £50,001-£100,000 | – | 27 | 27 | – | – | – |
| £100,001-£150,000 | – | 6 | 6 | – | – | – |
| £150,001-£200,000 | – | 2 | 2 | – | 2 | 2 |
| Total number of exit packages | – | 64 | 64 | – | 30 | 30 |
| Total costs (£000) | – | 3,900 | 3,900 | – | 1,265 | 1,265 |

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme; a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure.

Where the Group has agreed early retirements, with agreed employer-funded top-up for early access to pensions, the employer top-up costs are met by the Group alongside compensation for loss of office. Payments comprise either a lump sum payment for loss of office or, in cases where early retirement with agreed employer-funded top-up for early access to pensions, the employer top-up costs are met by the Group alongside compensation for loss of office. The total cost to the Group will therefore be higher than the amounts received by individuals.

The exit costs for staff in Agencies are borne and managed centrally by the Department. Information on departure costs and numbers for each Agency are also reported in the individual Agency's ARA to aid transparency.

Ill-health retirement

Ill-health retirement costs are met by the pension scheme and are not included in the table. Five people (prior year: two people) retired early on ill-health grounds; the total additional accrued pension liabilities for the year amounted to £60,000 (prior year: £7,000).

Staff report: part B (unaudited)

Workforce reporting

The following tables cover permanent staff as at 31 March 2025, based on headcount. The disclosures have been calculated using data received from the Department, Agencies and NDPBs. For non-civil servants employed in NDPBs, local grades have been mapped to Civil Service staff grades.

Department and Agencies

| | 2024-25 | | 2023-24 | |
|---------------------|--------------|--------------|--------------|--------------|
| | Male | Female | Male | Female |
| | Number | Number | Number | Number |
| Permanent Secretary | – | 1 | – | 1 |
| Directors General | 3 | 3 | 3 | 3 |
| Directors | 14 | 31 | 16 | 32 |
| Deputy Directors | 85 | 121 | 88 | 114 |
| Non-SCS | 3,009 | 4,648 | 3,139 | 4,865 |
| Total | 3,111 | 4,804 | 3,246 | 5,015 |

Group

| | 2024-25 | | 2023-24 | |
|---------------------|--------------|--------------|--------------|--------------|
| | Male | Female | Male | Female |
| | Number | Number | Number | Number |
| Permanent Secretary | – | 1 | – | 1 |
| Directors General | 5 | 3 | 5 | 3 |
| Directors | 29 | 44 | 32 | 47 |
| Deputy Directors | 155 | 168 | 151 | 160 |
| Non-SCS | 5,319 | 7,608 | 5,479 | 7,705 |
| Total | 5,508 | 7,824 | 5,667 | 7,916 |

Number of senior civil servants by salary band

Salary ranges in the following table represent basic salary and allowances but exclude bonuses.

Table 12: Number of senior civil servants by salary band for the Department and Agencies

| Salary range | 2025 | 2024 |
|---------------------|------------|------------|
| | Number | Number |
| <£60,001 | 16 | 20 |
| £60,001 – £65,000 | 6 | 6 |
| £65,001 – £70,000 | 9 | 7 |
| £70,001 – £75,000 | 9 | 23 |
| £75,001 – £80,000 | 22 | 43 |
| £80,001 – £85,000 | 50 | 75 |
| £85,001 – £90,000 | 72 | 15 |
| £90,001 – £95,000 | 12 | 4 |
| £95,001 – £100,000 | 6 | 16 |
| £100,001 – £105,000 | 12 | 19 |
| £105,001 – £110,000 | 19 | 12 |
| £110,001 – £115,000 | 12 | 1 |
| £115,001 – £120,000 | 2 | 2 |
| £120,001 – £125,000 | 1 | 3 |
| £125,001 – £130,000 | 1 | – |
| £130,001 – £135,000 | – | 2 |
| £135,001 – £140,000 | – | 2 |
| £140,001 – £145,000 | 2 | 2 |
| £145,001 – £150,000 | 1 | 3 |
| £150,001 – £155,000 | 1 | 1 |
| £155,001 – £160,000 | 4 | – |
| £160,001 – £165,000 | – | – |
| £165,001 – £170,000 | – | – |
| £170,001 – £175,000 | – | 1 |
| £175,001 – £180,000 | – | – |
| £180,001 – £185,000 | 1 | – |
| Total | 258 | 257 |

Workforce diversity information

The following figures present workforce information across the Group or Department and Agencies consolidation levels as indicated. The data has been compiled from year end headcount values not FTE, so will differ from the average FTE values disclosed in part A.

Figure 26: Gender across the Group for the last five years

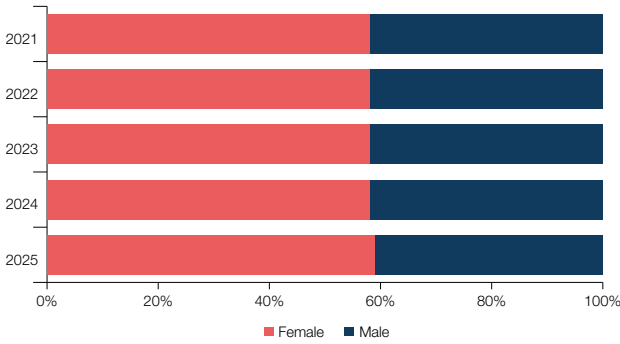
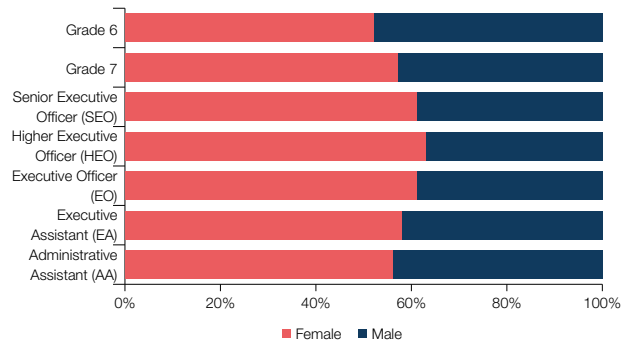


Figure 27: Non-SCS gender across the Group for the current year



Addressing under-representation

The diversity and inclusion strategy introduced specific targets for the representation of ethnic minority and disabled staff in the SCS for the first time. The targets, which have been agreed with Cabinet Office, are 12% and 15% for disabled and ethnic minority staff respectively by 2025.

Figure 28: SCS gender across Department and Agencies for the last five years

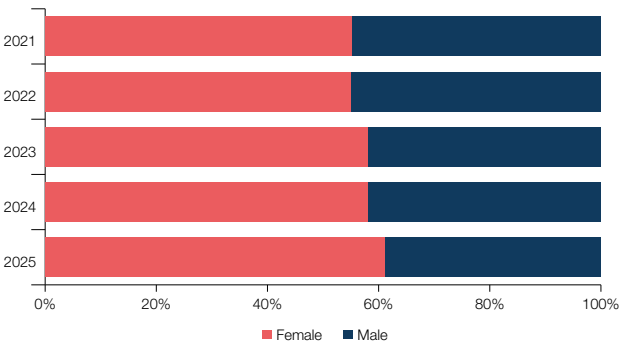


Figure 29: SCS ethnicity across Department and Agencies for the last five years

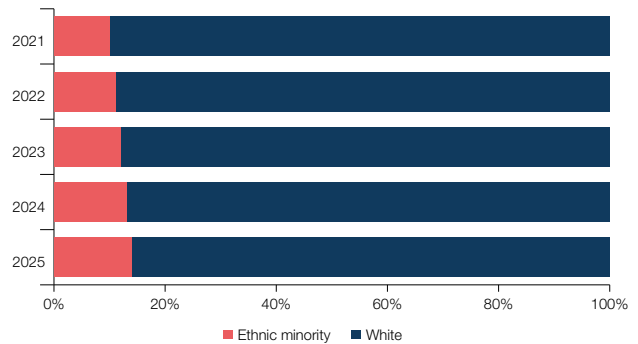


Figure 30: SCS disability across Department and Agencies for the last five years

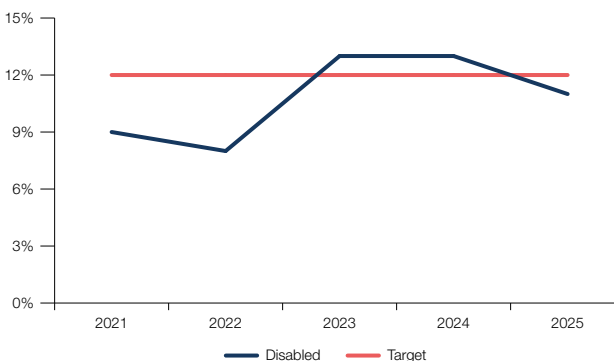
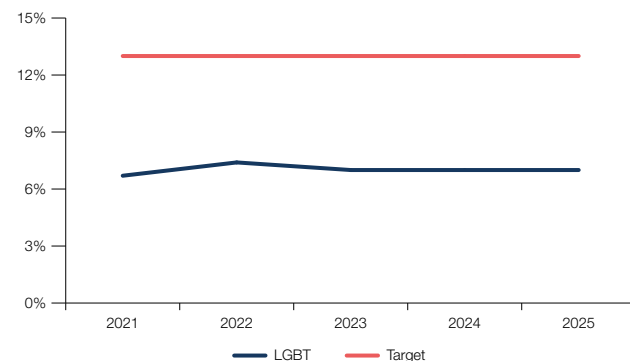


Figure 31: SCS sexual orientation across Department and Agencies for the last five years



Analysis of staff policies and statistics

Recruitment practice

The Department seeks to ensure that it is compliant with the Civil Service Commissioner's recruitment principles, focusing on merit-based hiring through fair and open competition. The Department's approach to recruitment reflects its commitment to become a more inclusive employer, reflecting the society we serve. We aim to achieve this by building core recruitment capability through training and guidance to managers, and ensuring consistent application of the Civil Service success profiles framework. The Department has improved its internal recruitment services offer to ensure a more responsive flexible resource model supporting managers in the recruitment process.

Sickness absence

Table 13 presents the average number of working days lost due to sickness across the Department and Agencies over the past five years.

Table 13: Staff absence over the last five years

| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|-------------------|---------|---------|---------|---------|---------|
| Days lost per FTE | 6.0 | 5.3 | 5.4 | 5.6 | 4.7 |

The Department's average of 6.0 days lost per full-time equivalent in the year is favourable compared to the Civil Service average of 7.8 days for the [year ending 31 March 2024](#)⁵⁴, which is the most recent data available.

Staff turnover

Table 14 shows the percentage of staff who left the Department and its Agencies during the year, compared to the Civil Service average.

Table 14: Staff turnover over the last five years

| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|------------------------|---------|---------|---------|---------|---------|
| Civil Service turnover | 5% | 8% | 5% | 5% | 5% |
| Departmental turnover | 8% | 13% | 11% | 11% | 8% |

Departmental turnover includes employees leaving for other government departments as well as those exiting the civil service entirely. The majority of leavers transfer to other government departments, which accounts for the differences in the reported figures.

Both Civil Service and Departmental turnover rates have decreased since the previous year. This reduction follows a voluntary exit scheme that concluded on 31 May 2023, resulting in approximately 350 employees leaving the Department, which had increased the turnover rate for that year.

⁵⁴ <https://www.gov.uk/government/publications/civil-service-sickness-absence-2024/civil-service-sickness-absence-2024-report>

Commitment to improving diversity

The Department remains committed to fostering a diverse and inclusive workforce and cultivating a workplace environment that not only reflects the diversity of the communities it serves but also harnesses the strengths that such diversity brings. This is evidenced by:

- increasing representation to 20.4% of staff from a minority ethnic background (prior year: 20.2%), with continued efforts to ensure proportional representation across all levels
- maintaining a strong proportion of women at 60.6% (prior year: 60%), with an ongoing focus on gender balance at all levels
- staff identifying as disabled at 15.1%, the Department's highest position on record (prior year: 13.8%), with targeted efforts to improve accessibility, workplace adjustments, and career progression opportunities
- the proportion of staff identifying as lesbian, gay, bisexual or other (LGBO) continued to grow at 8.6% (prior year: 7.8%), reinforcing the Department's commitment to LGBTQ+ inclusion
- we achieved our SCS workforce representation targets, with 13.0% for staff from an ethnic minority and 12.3% for disability

The Department further consolidated delivery of its diversity and inclusion strategy commitments with emphasis on:

- leadership development programmes to support senior leaders to actively champion diversity and inclusion, and foster a culture where all employees feel valued, heard and supported
- strengthening recruitment practices to attract a diverse talent pool, including targeted recruitment and retention initiatives
- regularly assessing people-related policies to ensure they are inclusive and equitable, addressing potential biases that may hinder diversity
- offering training, resources and opportunities tailored for line managers but also to staff at all levels to promote understanding and engagement with diversity and inclusion principles

The Department continues to measure progress against external standards and organisations as demonstrated in its social mobility work – evaluating and identifying key areas for improvement to enable equitable opportunities for individuals from diverse socioeconomic backgrounds. This year, the Department was again included in the Top 75 UK employers as announced by the Social Mobility Employer Index.

Staff policies for disabled persons

The Department has a range of policies in place to support people with a disability.

The Department guarantees an interview to candidates under the disability confident scheme if they meet the minimum role requirements, even if the pass mark is raised due to high application volumes.

In the recruitment process, if a person with disabilities is put at a substantial disadvantage compared to a non-disabled person, we make reasonable adjustments to our processes.

In the application process the candidate can complete the assistance required section of their application form to tell us what changes or help they might require. We now also add a reasonable adjustment guide to our vacancy notices to provide candidates with more information on the support we can provide.

HR policies

The Department's policies include:

- attendance management: managers may, where deemed appropriate, adjust trigger points for formal action to accommodate higher absence levels due to a disability or long-term health condition
- disability leave: enables line managers to grant employees with a disability reasonable time off work for rehabilitation, assessments, treatment, or while waiting for reasonable adjustments
- performance management: all employees and their managers discuss and agree objectives and development needs at the start of the year, with monthly performance check-ins
- workplace adjustments: guidance and training are provided for open conversations about disabilities and health conditions, including non-visible conditions. These conversations help find the right solution to support an individual to perform their role. The policy also covers workplace adjustments and how these can be arranged.

Development and talent approaches

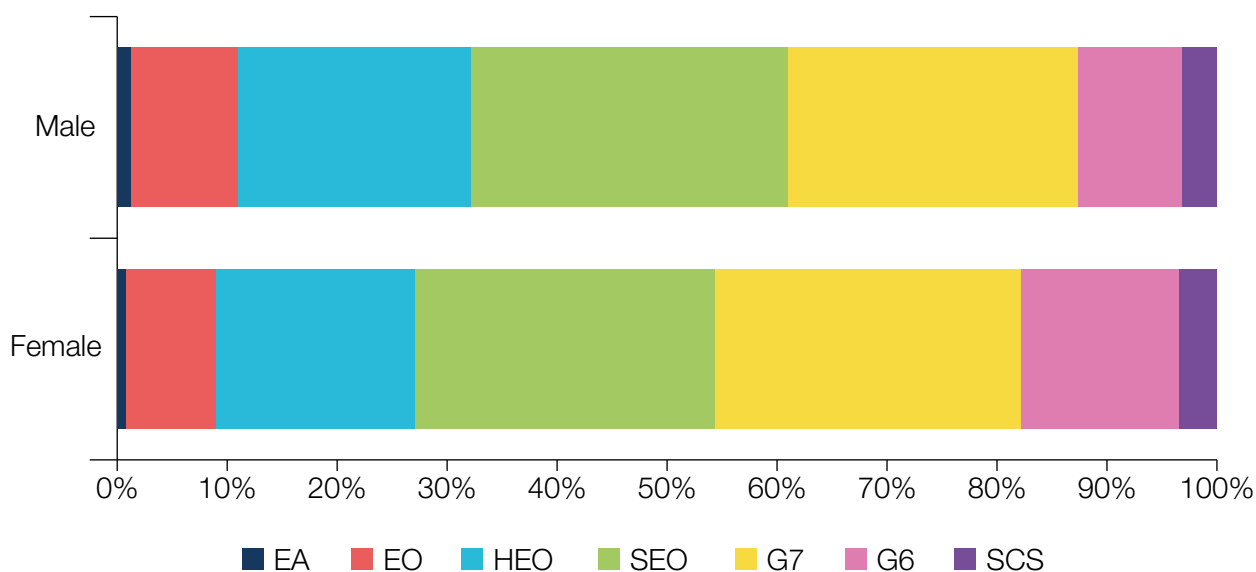
The Department adopts the following approaches:

- reserving places on a cross-government development programme for disabled employees, where all learning is quality assured to ensure accessibility
- offers a talent management programme, which aims to support and accelerate the development and capability of high potential Grade 6 and Grade 7s with disabilities
- an established programme for disabled staff that aims to support the development and opportunities for participants, including addressing any personal development needs and potential barriers

Gender pay gap reporting

As of March 2024, the Department's median gender pay gap was 8.2% (prior year: 4.1%), compared to a Civil Service figure of 8.5%.

Our analysis indicates that the over-representation of females in more junior grades significantly contributes to the gap. In 2024, while both the median male and female salaries were within the same pay band (SEO), a higher proportion of women were in the EA to HEO grades. This results in the overall female median salary being closer to the middle of the SEO distribution, whereas the median male salary is closer to the top end of the SEO distribution. The value for March 2025 is not available at the time of publication and will be included in next year's ARA.

Figure 32: March 2024 staff grade breakdown by gender (Department and Agencies)

Engagement with employees

The annual Civil Service People Survey looks at civil servants' attitudes to and experience of working in government departments. Every year, a [Civil Service benchmark report](#)⁵⁵ is published along with a summary of departmental scores. The Department conducts a full People Survey annually, across the Department and its Agencies.

Table 15: Response rates and engagement indices for the Civil Service People Survey for the last five years

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|-------------------------------------|------|------|------|------|------|
| Response rate | 84% | 85% | 88% | 90% | 91% |
| Engagement index | 64% | 63% | 61% | 69% | 69% |
| Civil Service-wide response rate | 61% | 65% | 77% | 75% | 80% |
| Civil Service-wide engagement index | 64% | 65% | 65% | 66% | 66% |

The employee engagement index is a measure derived from five specific survey questions, showing the average level of staff engagement across the Department and its Agencies.

The information from the survey is used to support development of the Department's plans to improve our levels of employee engagement.

We have actively engaged employees through a department-wide discussion on our behaviours and in response to findings from the People and Pulse Surveys. This feedback shaped our PSP.

⁵⁵ <https://www.gov.uk/government/collections/civil-service-people-surveys>

The current PSP launched in September 2024 and outlines our strategic priorities for our people, addressing both the challenges and opportunities facing our workforce. It ensures a balance between individual employee experience and organisational needs, providing clear aims and actions to help us deliver across its four themes:

- a diverse and inclusive workplace experience
- a learning organisation that is high performing and skilled
- evolving as a more agile organisation
- building capability with inclusive leadership and management

Next year, we will continue to embed the aims outlined in the PSP. In response to the latest People Survey results, we have refined our yearly action plan to address colleague feedback, ensuring continuous improvement and meaningful change.

Consultancy and temporary staff

Consultants are hired to work on projects in a number of specific situations:

- where the Group does not have the required skill sets
- where the requirement falls outside the core business of civil servants
- where an external, independent perspective is required

When used appropriately, consultancy can be a cost effective and efficient way of getting the temporary and skilled external input that the Group needs.

We are committed to the consistent application of Cabinet Office's [controls on consultancy and other spending](#).⁵⁶ The Cabinet Office's definition of consultancy is 'the provision to management of objective advice relating to strategy, structure, management or operations of an organisation'. Such advice will be provided outside the business-as-usual environment when in-house skills are not available and will be time-limited. Consultancy often includes the identification of options with recommendations, or assistance with the implementation of solutions but typically not the delivery of business-as-usual activity.

For the Department and its Agencies, spend on consultancy requires completion of a business case which is signed off by a senior civil servant. Consultancy engagements below £10,000 are cleared by the relevant deputy director with budget or delivery responsibility. Engagements between £10,000 and £20,000 are scrutinised and reviewed centrally by Finance and Commercial teams and cleared by the deputy director with budget or delivery responsibility. In addition, such cases are reviewed in light of the efficiency controls within the Department's commercial governance process. For engagements over £20,000, the same process as for £10,000 to £20,000 engagements is followed but with additional scrutiny and clearance by the minister with policy responsibility.

⁵⁶ <https://www.gov.uk/government/collections/cabinet-office-controls>

Table 16: Group consultancy expenditure for the last five years

| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|--------------|-------------|-------------|------------|------------|------------|
| | £m | £m | £m | £m | £m |
| Department | 6.6 | 5.3 | 5.0 | 6.6 | 7.2 |
| Agencies | 1.1 | 1.6 | 0.4 | 0.6 | 0.7 |
| NDPBs | 2.5 | 3.2 | 1.2 | 0.5 | 0.8 |
| Total | 10.2 | 10.1 | 6.6 | 7.7 | 8.7 |

This expertise was mainly used to support change programmes across the Group and specialist research contracted out to third parties.

The Group has contracts for the engagement of staff and specialist contractors to cover short-term requirements such as covering unexpected absences, short-term peaks in workload, short-term projects or a permanent vacancy until the vacancy can be filled. In recent years, where possible, these vacancies have been covered using existing employees, reducing the Group's expenditure on consultancy. Use of contingent labour is also subject to the efficiency controls process and requires ministerial approval for recruitment to SCS equivalent grades, and director general approval for grades below this.

Table 17: Group contingent labour expenditure for the last five years

| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|--------------|-------------|-------------|-------------|-------------|-------------|
| | (Restated) | | | | |
| | £m | £m | £m | £m | £m |
| Department | 32.2 | 28.0 | 21.5 | 26.3 | 20.9 |
| Agencies | 0.3 | 0.6 | – | 0.4 | 0.7 |
| NDPBs | 4.3 | 4.3 | – | 4.5 | 10.9 |
| Total | 36.8 | 32.9 | 21.5 | 31.2 | 32.5 |

The prior year's numbers have been restated following the identification of an error in the calculation. The correction this year applies a consistent approach across all five years. The total disclosed last year was £22.2 million, of which £17.4 million was disclosed as being Departmental activities.

Review of tax arrangements of public sector appointees

As part of the Review of the Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, departments were directed to publish information pertaining to the number of off-payroll engagements at a cost of over £58,200 that were in place on, or after, 31 January 2012; and any off-payroll engagements of board members, or senior officials with significant financial responsibility, during this financial year. The following tables set out this information.

Table 18: Highly paid off-payroll worker engagements as at 31 March 2025, earning £245 per day or greater

| | Department | Agencies | NDPBs | Group |
|--|------------|----------|-------|-------|
| Number of existing engagements as at 31 March 2025 | 84 | 6 | 56 | 146 |
| of which the number that have existed for: | | | | |
| less than one year at time of reporting | 27 | 2 | 46 | 75 |
| between one and two years at time of reporting | 26 | – | 8 | 34 |
| between two and three years at time of reporting | 20 | 3 | 1 | 24 |
| between three and four years at time of reporting | 10 | – | – | 10 |
| four or more years at time of reporting | 1 | 1 | 1 | 3 |

Table 19: All highly paid off-payroll workers engaged at any point during the year ended 31 March 2025, earning £245 per day or greater

| | Department | Agencies | NDPBs | Group |
|---|------------|----------|-------|-------|
| Number of temporary off-payroll workers engaged during the year ended 31 March 2025 | 122 | 7 | 84 | 213 |
| of which: | | | | |
| not subject to off-payroll legislation | – | – | 69 | 69 |
| subject to off-payroll legislation and determined as in-scope of IR35 | 113 | 6 | 5 | 124 |
| subject to off-payroll legislation and determined as out-of-scope of IR35 | 9 | 1 | 10 | 20 |
| Number of engagements reassessed for compliance or assurance purposes during the year | – | – | – | – |
| of which: number of engagements that saw a change to IR35 status following review | – | – | – | – |

Table 20: For any off-payroll engagements of board members, or senior officials with significant financial responsibility, between 1 April 2024 and 31 March 2025

| | Department | Agencies | NDPBs | Group |
|--|------------|----------|-------|-------|
| Number of off-payroll engagements of board members or senior officials with significant financial responsibility, during the financial year | – | – | 1 | 1 |
| Total number of individuals on- and off-payroll that have been deemed “board members or senior officials with significant financial responsibility” during the financial year. This figure should include both on- and off-payroll engagements | 31 | 16 | 123 | 170 |

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 requires relevant public sector organisations to report on trade union facility time in their organisations.

Table 21: Relevant union officials – Department and Agencies

| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---------------------------------------|---------|---------|---------|---------|---------|
| Number of employees | 37 | 35 | 31 | 24 | 22 |
| Full-time equivalent employee numbers | 7,598 | 7,969 | 7,862 | 8,169 | 7,511 |

The full-time equivalent employee numbers are those as at 31 March 2025 for the Department and Agencies. These numbers are different to those disclosed in the Staff Report: part A for the Department and Agencies within the average number of persons employed table, which reports the monthly average number of staff over the full year, as opposed to the number of staff in employment at the end of the year.

Table 22: Percentage of time spent on facility time – Department and Agencies

| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|-----------|---------------------|---------------------|---------------------|---------------------|---------------------|
| % of time | Number of employees | Number of employees | Number of employees | Number of employees | Number of employees |
| 0% | 2 | 3 | 4 | 7 | 9 |
| 1-50% | 35 | 32 | 27 | 17 | 13 |
| 51-99% | – | – | – | – | – |
| 100% | – | – | – | – | – |

Table 23: Percentage of pay bill spent on facility time – Department and Agencies

| Item | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---|---------|---------|---------|---------|---------|
| Total cost of facility time | £96,423 | £61,653 | £43,219 | £41,347 | £44,273 |
| Total pay bill (£m) | £547 | £546 | £501 | £483 | £446 |
| % of the total pay bill against facility time | 0.018% | 0.011% | 0.009% | 0.01% | 0.01% |

The Department and Agencies pay bill disclosed is larger than that disclosed earlier in the staff report because this balance includes capitalised staff costs.

Paid trade union activities

The percentage of hours spent by employees who were relevant union officials during the relevant period on paid trade union activities was nil (prior year: nil).

Parliamentary accountability and audit report

Overview

In addition to the primary statements prepared under IFRS, FReM requires the Department to prepare a SOPS and supporting notes.

SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimate details Supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of SOPS mirrors the Supply Estimate, published on GOV.UK, to enable comparability between what Parliament approves and the final outturn. SOPS contains a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn will not exactly tie to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note [S1](#)); a reconciliation of outturn to net operating expenditure in SoCNE, to tie SOPS to the financial statements (note [S2](#)); a reconciliation of outturn to net cash requirement (note [S3](#)); and an analysis of income payable to the Consolidated Fund (note [S4](#)).

SOPS and the Estimate are compiled against the budgeting framework, which is similar to but different to, International Financial Reporting Standards. An understanding of the budgeting framework and an explanation of key terms is provided in the [Financial review of the year](#) of the Performance Report. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance.⁵

SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The [Financial review of the year](#) provides a summarised discussion of outturn against Estimate and functions as an introduction to SOPS disclosures.

Statement of Outturn against Parliamentary Supply (audited)

For the year ended 31 March 2025

Summary table, 2024-25

| Type of spend | Note | Outturn | | | Estimate | | | Outturn vs Estimate, saving/(excess) | | Prior year Outturn total 2023-24 |
|---------------------------------------|----------------------|--------------------|-----------|--------------------|--------------------|-----------|--------------------|--------------------------------------|-------------------|----------------------------------|
| | | Voted | Non-voted | Total | Voted | Non-voted | Total | Voted | Total | |
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Departmental Expenditure Limit | | | | | | | | | | |
| Resource | S1.1 | 102,121,619 | – | 102,121,619 | 112,672,556 | – | 112,672,556 | 10,550,937 | 10,550,937 | 87,627,139 |
| Capital | S1.2 | 5,602,518 | – | 5,602,518 | 5,717,138 | – | 5,717,138 | 114,620 | 114,620 | 6,636,478 |
| Total | | 107,724,137 | – | 107,724,137 | 118,389,694 | – | 118,389,694 | 10,665,557 | 10,665,557 | 94,263,617 |
| Annually Managed Expenditure | | | | | | | | | | |
| Resource | S1.1 | (3,817,564) | – | (3,817,564) | 1,047,929 | – | 1,047,929 | 4,865,493 | 4,865,493 | (3,327,057) |
| Capital | S1.2 | 30,906,634 | – | 30,906,634 | 33,435,646 | – | 33,435,646 | 2,529,012 | 2,529,012 | 30,912,958 |
| Total | | 27,089,070 | – | 27,089,070 | 34,483,575 | – | 34,483,575 | 7,394,505 | 7,394,505 | 27,585,901 |
| Total Budget | | | | | | | | | | |
| Resource | S1.1 | 98,304,055 | – | 98,304,055 | 113,720,485 | – | 113,720,485 | 15,416,430 | 15,416,430 | 84,300,082 |
| Capital | S1.2 | 36,509,152 | – | 36,509,152 | 39,152,784 | – | 39,152,784 | 2,643,632 | 2,643,632 | 37,549,436 |
| Total Budget Expenditure | | 134,813,207 | – | 134,813,207 | 152,873,269 | – | 152,873,269 | 18,060,062 | 18,060,062 | 121,849,518 |

Figures in the areas outlined in thick lines cover the voted control limits voted by Parliament. Refer to the [Supply Estimates Guidance Manual](#)⁵⁷ for detail on the control totals voted by Parliament.

57 <https://www.gov.uk/government/publications/supply-estimates-guidance-manual>

Net cash requirement 2024-25

| Item | Note | Outturn | Estimate | Outturn vs Estimate, saving/ (excess) | Prior year Outturn total 2023-24 |
|----------------------|--------------------|-------------|-------------|---------------------------------------|----------------------------------|
| | | £000 | £000 | £000 | £000 |
| Net cash requirement | S3 | 111,112,933 | 113,440,302 | 2,327,369 | 103,637,145 |

Administration costs 2024-25

| Type of spend | Note | Outturn | Estimate | Outturn vs Estimate, saving/ (excess) | Prior year Outturn total 2023-24 |
|----------------------|----------------------|---------|----------|---------------------------------------|----------------------------------|
| | | £000 | £000 | £000 | £000 |
| Administrative costs | S1.1 | 546,736 | 576,641 | 29,905 | 529,617 |

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanation of variances between Estimate and outturn are given in the commentary on significant variances between Estimate and outturn in the [Financial review of the year](#).

The notes on pages 162 to 169 form part of this Statement of Outturn against Parliamentary Supply.

Notes to the Statement of Outturn against Parliamentary Supply

S1. Outturn detail, by Estimate line

S1.1 Analysis of resource outturn by Estimate line

| Type of spend (Resource) | Resource Outturn | | | | | | | | | Estimate Total inc. virements £000 | Outturn vs Estimate, saving/ (excess) £000 | Prior year Outturn total, 2023-24 £000 | |
|---|------------------|----------------|-------------|---------------|----------------|-------------|---------------|---------------|-------------------|---|---|--|--|
| | Administration | | | Programme | | | | | | | | | |
| | Gross £000 | Income £000 | Net £000 | Gross £000 | Income £000 | Net £000 | Total £000 | Total £000 | Virements £000 | | | | |
| Spending in Departmental Expenditure Limit | | | | | | | | | | | | | |
| Voted expenditure | | | | | | | | | | | | | |
| A Activities to Support all Functions | 450,672 | (16,273) | 434,399 | 224,298 | (126,577) | 97,721 | 532,120 | 559,765 | 4,944 | 564,709 | 32,589 | 509,944 | |
| B Other School Funding (Department) | – | – | – | 1,169,132 | (60,351) | 1,108,781 | 1,108,781 | 1,180,763 | (62,440) | 1,118,323 | 9,542 | 901,684 | |
| C Other School Funding (ALB) (net) | 6,652 | – | 6,652 | 6,602 | – | 6,602 | 13,254 | 12,417 | 1,481 | 13,898 | 644 | 7,565 | |
| D Families and Children Services (Department) | – | – | – | 1,146,411 | (150) | 1,146,261 | 1,146,261 | 1,187,033 | (40,622) | 1,146,411 | 150 | 746,842 | |
| E Families and Children Services (ALB) (net) | 3,803 | – | 3,803 | 11,645 | – | 11,645 | 15,448 | 16,647 | – | 16,647 | 1,199 | 18,785 | |
| F Standards and Testing Agency | 2,888 | – | 2,888 | 47,085 | – | 47,085 | 49,973 | 53,997 | 5 | 54,002 | 4,029 | 47,517 | |
| G Teaching Regulation Agency | 245 | – | 245 | 16,524 | – | 16,524 | 16,769 | 14,256 | 2,568 | 16,824 | 55 | 14,030 | |
| H Education and Skills Funding Agency | 43,675 | (20) | 43,655 | (621) | (455) | (1,076) | 42,579 | 38,818 | 3,940 | 42,758 | 179 | 89,135 | |
| I Apprenticeships | – | – | – | 2,781,327 | – | 2,781,327 | 2,781,327 | 2,729,853 | 51,474 | 2,781,327 | – | 2,512,281 | |
| J Grants to LA – Schools and Early Years | – | – | – | 38,412,212 | (1,810) | 38,410,402 | 38,410,402 | 38,837,586 | (403,709) | 38,433,877 | 23,475 | 35,599,721 | |

| Type of spend (Resource) | Resource Outturn | | | | | | | | | Estimate | Outturn vs Estimate, saving/ (excess) | Prior year Outturn total, 2023-24 | |
|---|------------------|-----------------|----------------|--------------------|---------------------|--------------------|--------------------|--------------------|-----------|-------------------------|---|--|------|
| | Administration | | | Programme | | | | | | | | | |
| | Gross | Income | Net | Gross | Income | Net | Total | Total | Virements | Total inc. virements | Total inc. virements | £000 | £000 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| K Grants to Academies | – | – | – | 35,812,501 | (1,534) | 35,810,967 | 35,810,967 | 35,781,025 | 29,942 | 35,810,967 | – | 32,662,390 | |
| L Higher Education | – | – | – | 13,700,993 | (33,107) | 13,667,886 | 13,667,886 | 24,142,357 | (40,090) | 24,102,267 | 10,434,381 | 6,709,804 | |
| M Further Education | – | – | – | 6,792,873 | (12,368) | 6,780,505 | 6,780,505 | 6,315,203 | 465,302 | 6,780,505 | – | 6,067,053 | |
| N Higher Education (ALB) (net) | 45,992 | – | 45,992 | 1,670,608 | – | 1,670,608 | 1,716,600 | 1,772,572 | (12,795) | 1,759,777 | 43,177 | 1,711,618 | |
| O Further Education (ALB) (net) | 9,102 | – | 9,102 | 19,645 | – | 19,645 | 28,747 | 30,264 | – | 30,264 | 1,517 | 28,770 | |
| Total spending in DEL | 563,029 | (16,293) | 546,736 | 101,811,235 | (236,352) | 101,574,883 | 102,121,619 | 112,672,556 | – | 112,672,556 | 10,550,937 | 87,627,139 | |
| Spending in Annually Managed Expenditure | | | | | | | | | | | | | |
| Voted expenditure | | | | | | | | | | | | | |
| P Activities to Support all Functions | – | – | – | 47,838 | – | 47,838 | 47,838 | 5,856 | 41,982 | 47,838 | – | 1,809 | |
| Activities to Support all Functions (ALB) | – | – | – | 1,204 | – | 1,204 | 1,204 | – | 1,204 | 1,204 | – | 283 | |
| Q Executive Agencies | – | – | – | (5,520) | – | (5,520) | (5,520) | 300 | – | 300 | 5,820 | (7,000) | |
| R Higher Education | – | – | – | 11,131,864 | (14,961,340) | (3,829,476) | (3,829,476) | 1,001,374 | – | 1,001,374 | 4,830,850 | (3,320,133) | |
| S Further Education | – | – | – | 63,109 | (103,021) | (39,912) | (39,912) | 21,053 | (44,603) | (23,550) | 16,362 | (19,736) | |
| T Higher Education (ALB) (net) | – | – | – | 2,617 | – | 2,617 | 2,617 | 1,200 | 1,417 | 2,617 | – | 1,016 | |
| U Further Education (ALB) (net) | – | – | – | 5,685 | – | 5,685 | 5,685 | 18,146 | – | 18,146 | 12,461 | 16,704 | |
| Total spending in AME | – | – | – | 11,246,797 | (15,064,361) | (3,817,564) | (3,817,564) | 1,047,929 | – | 1,047,929 | 4,865,493 | (3,327,057) | |
| Total spending in Budget | 563,029 | (16,293) | 546,736 | 113,058,032 | (15,300,713) | 97,757,319 | 98,304,055 | 113,720,485 | – | 113,720,485 | 15,416,430 | 84,300,082 | |

The Department has not exceeded any Parliamentary expenditure limits, as reflected in the SOPS and note S1. In the year, the Department did exceed the non-ringfence RDEL total set by HMT by £590,000.

S1.2 Analysis of capital outturn by Estimate line

| Type of spend (Capital) | Outturn | | | | | Estimate | Outturn vs Estimate, saving/ (excess) | Prior year Outturn total, 2023-24 |
|---|-------------------|--------------------|-------------------|-------------------|-----------|----------------------|---------------------------------------|-----------------------------------|
| | Gross | Income | Net total | Total | Virements | Total inc. virements | | |
| | £000 | £000 | £000 | £000 | £000 | £000 | | |
| Spending in Departmental Expenditure Limit | | | | | | | | |
| Voted expenditure | | | | | | | | |
| A Activities to Support all Functions | 90,897 | (8,600) | 82,297 | 177,323 | (70,360) | 106,963 | 24,666 | 167,783 |
| B Other School Funding (Department) | 2,340,275 | (391,539) | 1,948,736 | 1,752,347 | 251,193 | 2,003,540 | 54,804 | 1,702,377 |
| C Other School Funding (ALB) (net) | (18,411) | – | (18,411) | (8,848) | – | (8,848) | 9,563 | (25,312) |
| D Families and Children Services (Department) | 57,596 | (17) | 57,579 | 68,255 | – | 68,255 | 10,676 | 140,586 |
| E Families and Children Services (ALB) (net) | 2,022 | – | 2,022 | 2,222 | – | 2,222 | 200 | 2,209 |
| F Standards and Testing Agency | 5,871 | – | 5,871 | 7,764 | – | 7,764 | 1,893 | 4,027 |
| G Teaching Regulation Agency | – | – | – | 918 | – | 918 | 918 | – |
| H Education and Skills Funding Agency | 12,814 | (20,213) | (7,399) | (6,506) | – | (6,506) | 893 | 9,972 |
| I Apprenticeships | 5,573 | – | 5,573 | 8,383 | – | 8,383 | 2,810 | 4,499 |
| J Grants to LA – Schools and Early Years | 1,247,204 | (4,957) | 1,242,247 | 1,191,028 | 51,219 | 1,242,247 | – | 2,481,093 |
| K Grants to Academies | 1,190,706 | (23,666) | 1,167,040 | 1,326,528 | (154,307) | 1,172,221 | 5,181 | 1,114,706 |
| L Higher Education | 26,427 | (9,854) | 16,573 | 16,546 | 27 | 16,573 | – | 25,430 |
| M Further Education | 932,706 | (15,190) | 917,516 | 978,493 | (59,911) | 918,582 | 1,066 | 772,972 |
| N Higher Education (ALB) (net) | 181,903 | – | 181,903 | 200,807 | (17,861) | 182,946 | 1,043 | 236,559 |
| O Further Education (ALB) (net) | 971 | – | 971 | 1,878 | – | 1,878 | 907 | (423) |
| Total spending in DEL | 6,076,554 | (474,036) | 5,602,518 | 5,717,138 | – | 5,717,138 | 114,620 | 6,636,478 |
| Spending in Annually Managed Expenditure | | | | | | | | |
| Voted expenditure | | | | | | | | |
| P Activities to Support all Functions | 1,341 | – | 1,341 | 3,209 | – | 3,209 | 1,868 | 3,309 |
| Q Executive Agencies | (243) | – | (243) | – | – | – | 243 | (178) |
| R Higher Education | 35,621,210 | (4,767,810) | 30,853,400 | 33,315,516 | (2,477) | 33,313,039 | 2,459,639 | 30,788,733 |
| S Further Education | 105,474 | (62,122) | 43,352 | 78,421 | – | 78,421 | 35,069 | 117,556 |
| T Higher Education (ALB) (net) | 2,477 | – | 2,477 | – | 2,477 | 2,477 | – | 110 |
| U Further Education (ALB) (net) | 6,307 | – | 6,307 | 38,500 | – | 38,500 | 32,193 | 3,428 |
| Total spending in AME | 35,736,566 | (4,829,932) | 30,906,634 | 33,435,646 | – | 33,435,646 | 2,529,012 | 30,912,958 |
| Total Capital | 41,813,120 | (5,303,968) | 36,509,152 | 39,152,784 | – | 39,152,784 | 2,643,632 | 37,549,436 |

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimate that do not require Parliamentary authority (because Parliament does not vote to that level of detail and delegates to HMT). Further information on virements is provided in the Supply Estimates Guidance Manual.

The outturn vs Estimate column is based on the total including virements. The Estimate total before virements values have been included so that readers can agree the Estimate values disclosed back to the Estimate laid before Parliament.

S1.3 Explanation of pre-virement variances

We have provided explanations for large pre-virement variances above in the [Financial review of the year](#). Large variances have been defined as over £1 billion or over 10% of Estimate value and over £250 million, across the different budget types.



S1.4 Background to Estimate

Below we reconcile Estimate lines to Group activities and bodies.

| Estimate Line | Title | Budget explanation |
|---------------|---|---|
| A | Activities to Support all Functions | Budget set to support delivery of all functions and cannot be allocated to a specific Estimate line. This includes corporate services and the running of the Department. |
| B | Other School Funding (Department) | Budget set for funding provided by the Department directly to the education system, rather than being distributed via grants to local authorities or academy trusts. For example, some expenditure on National Tutoring Programme and teacher training is included in this Estimate line. |
| C | Other School Funding (ALB) (net) | Budget set for LocatED, Aggregator and Oak. |
| D | Families and Children Services (Department) | Budget set for expenditure by the Department directly on social care and work to tackle disadvantage. For example, expenditure on tackling child poverty is included in this Estimate line. |
| E | Families and Children Services (ALB) (net) | Budget set for SWE and CCO. |
| F | Standards and Testing Agency | Budget line for STA. |
| G | Teaching Regulation Agency | Budget line for TRA. |
| H | Education and Skills Funding Agency | Budget line for ESFA. |
| I | Apprenticeships | Budget set for delivering apprenticeships. |
| J | Grants to LA Schools and Early Years | Budget set for grants paid to local authority schools for everyday running costs and capital expenditure. |
| K | Grants to Academies | Budget set for grants paid to academy trusts for everyday running costs and capital expenditure of their academies. |
| L | Higher Education | Budget set for expenditure on higher education, including student loans. |
| M | Further Education | Budget set for expenditure on further education and adult education. |
| N | Higher Education (ALB) (net) | Budgets set for SLC and OfS. |
| O | Further Education (ALB) (net) | Budget set for IfATE. |
| P | Activities to Support all Functions | Budget set for provision expenses. |
| Q | Executive Agencies | Budget set for provision expenses for ESFA. |
| R | Higher Education | Budget relates to the AME costs of student loans in higher education. |
| S | Further Education | Budget relates to the AME costs of student loans in further education. |
| T | Higher Education (ALB) (net) | AME budget set for SLC. |
| U | Further Education (ALB) (net) | Predominantly budget set for CITB and ECITB. |

S2. Reconciliation of outturn to net operating expenditure

| Item | Reference | Outturn total | Prior year Outturn total 2023-24 |
|--|----------------------|--------------------|--|
| | | £000 | £000 |
| Total resource outturn | S1.1 | 98,304,055 | 84,300,082 |
| Add: capital grant expense | 6.3 | 5,505,983 | 6,151,200 |
| other expenditure scored to the capital budget | | 19,670 | 16,165 |
| other adjustments | | – | 3,207 |
| Total | | 5,525,653 | 6,170,572 |
| Less: income payable to the Consolidated Fund | S4 | (40) | (14,141) |
| capital grant income | | (55,047) | (78,671) |
| other adjustments | | (1,901) | – |
| Total | | (56,988) | (92,812) |
| Net operating expenditure in SoCNE | SoCNE | 103,772,720 | 90,377,842 |

As noted in the introduction to SOPS, outturn and the Estimate are compiled against the budgeting framework, which is similar to but different from IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking SOPS to the financial statements.

For example, capital policy funding (income or expenditure) is budgeted for as CDEL so is not included within resource outturn but is accounted for as grant expenditure (or income) in SoCNE. Therefore, capital expenditure functions as a reconciling item between resource and SoCNE's net operating expenditure. See note [6.3](#) for more detail on our capital policy funding activities. The reconciling item 'Other expenditure scored to the capital budget' relates to research and development activities that are scored to capital budgets, so excluded from resource outturn, but accounted for as costs in SoCNE. The capital grant income reconciling item refers to capital contributions received from other government departments in support of school building programmes.

S3. Reconciliation of net resource outturn to net cash requirement

| Item | Reference | Outturn total | Estimate | Outturn vs Estimate, saving/ (excess) |
|---|----------------------|---------------------|---------------------|---------------------------------------|
| | | £000 | £000 | £000 |
| Total resource outturn | S1.1 | 98,304,055 | 113,720,485 | 15,416,430 |
| Total capital outturn | S1.2 | 36,509,152 | 39,152,784 | 2,643,632 |
| Accruals to cash adjustments | | | | |
| Of which: | | | | |
| Adjustment for NDPBs | | | | |
| Remove voted resource and capital | | (1,958,821) | (2,084,305) | (125,484) |
| Add cash grant-in-aid | | 1,940,804 | 2,033,440 | 92,636 |
| Adjustments to remove non-cash items | | | | |
| Depreciation, amortisation and impairment | 7.2 | (119,902) | (41,362,229) | (41,242,327) |
| Student loan book fair value loss | | (24,019,078) | – | 24,019,078 |
| New provisions and adjustments to previous provisions | | (158,396) | (160,232) | (1,836) |
| Other non-cash adjustments | | 25,771 | 1,973,241 | 1,947,470 |
| Adjustments to reflect movements in working balances | | | | |
| Movements in receivables | SoCF | 243,742 | – | (243,742) |
| Movements in payables | SoCF | 120,829 | – | (120,829) |
| Movements in lease liabilities | | 31,567 | – | (31,567) |
| Use of provisions | | 168,609 | 167,118 | (1,491) |
| Use of financial guarantees | | 24,601 | – | (24,601) |
| Total | | (23,700,274) | (39,432,967) | (15,732,693) |
| Net cash requirement | | 111,112,933 | 113,440,302 | 2,327,369 |

As noted in the introduction to SOPS, outturn and the Estimate are compiled against the budgeting framework not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

S4. Amounts of income to the Consolidated Fund

S4.1 Analysis of income payable to the Consolidated Fund

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

| Item | Outturn total | | Prior year, 2023-24 | |
|--|---------------|------------|---------------------|----------------------|
| | Accruals | Cash basis | Accruals | Cash basis |
| | £000 | £000 | £000 | £000 |
| Income outside the Ambit of the Estimate | 40 | 40 | 14,141 | <i>14,141</i> |
| Excess cash surrenderable to the Consolidated Fund | – | – | – | – |
| Total amount payable to the Consolidated Fund | 40 | 40 | 14,141 | <i>14,141</i> |



Parliamentary accountability disclosures (audited)

As custodians of taxpayers' funds, we have a duty to Parliament to ensure the regularity and propriety of our activities and expenditure. We manage public funds in accordance with the principles outlined in Managing Public Money.

Our accounting officer is responsible for ensuring that we operate with regularity, efficiency, economy, effectiveness and prudence in the administration of public resources to secure value for money. These responsibilities, which include the propriety and regularity of public finances, are detailed in Managing Public Money.

To fulfil these responsibilities and ensure we do not breach our control totals, we have implemented the following measures:

- formal delegation of budgets
- detailed monitoring of expenditure
- monthly management reporting against control totals

Additionally, we use the three lines of defence model as part of our risk management framework, which is detailed in our Governance Statement.

This year, we did not breach any of our Parliamentary control totals. Further details are provided in the Statement of Outturn against Parliamentary Supply.

The disclosures pertain to the bodies identified in note [24](#) and do not include the academy and FE sectors.

Public sector losses and special payments

A1 Losses statement

The total of all losses that have been recognised this year is as follows.

Number of cases

| Item | 2024-25 | | 2023-24 | |
|--|-----------------------|---------------|-----------------------|---------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | Number | Number | Number | Number |
| Cash losses | 417 | 424 | 1,492 | 1,525 |
| Fruitless payments and constructive losses | 120 | 216 | 348 | 595 |
| Claims waived or abandoned | 61,908 | 61,908 | 54,787 | 54,787 |
| Store losses | 318 | 318 | 1 | 1 |
| Total number of cases | 62,763 | 62,866 | 56,628 | 56,908 |
| Analysed across: | | | | |
| non-student loan activities | 1,030 | 1,133 | 1,932 | 2,212 |
| student loans | 61,733 | 61,733 | 54,696 | 54,696 |

Value of cases

| Item | 2024-25 | | 2023-24 | |
|--|-----------------------|---------------|-----------------------|---------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £000 | £000 | £000 | £000 |
| Cash losses | 7,928 | 7,932 | 3,300 | 3,313 |
| Fruitless payments and constructive losses | 1,966 | 2,146 | 6,011 | 6,067 |
| Claims waived or abandoned | 23,964 | 23,964 | 36,595 | 36,595 |
| Store losses | 839 | 839 | 433 | 433 |
| Total value of cases | 34,697 | 34,881 | 46,339 | 46,408 |
| Analysed across: | | | | |
| non-student loan activities | 24,653 | 24,837 | 35,661 | 35,730 |
| student loans | 10,044 | 10,044 | 10,678 | 10,678 |

A1.1 Cash losses over £300,000

| Counterparty | Reporting body | £000 |
|---------------------------------|----------------|------|
| Corporate failure | | |
| Vocational Skills Solutions Ltd | ESFA | 633 |
| Other | | |
| Lambeth College | ESFA | 510 |
| Pendle Primary Academy | ESFA | 333 |

Corporate failure

The company became insolvent preventing collection of overpaid grants.

Other

In certain limited circumstances the Department may choose to write-off grant overpayments arising from other reasons. In all situations, the Department has taken a view that seeking recovery of funds would not be value for money or could imperil continued education provision.

A1.2 Fruitless payments and constructive losses over £300,000

| Counterparty | Reporting body | £000 |
|----------------------|----------------|------|
| European Commission | Department | 663 |
| Manning Gottlieb OMD | Department | 393 |

European Commission

This loss arose from the expiration of the 2014-2020 Erasmus+ contract preventing recovery of funds.

Manning Gottlieb OMD

Cost of media campaigns cancelled during the pre-election period.

A1.3 Claims waived or abandoned over £300,000

| Counterparty | Reporting body | £000 |
|---|----------------|-------|
| Student loans | | |
| Write-off of student loan employer deductions | Department | 6,808 |
| Rebrokerage debt forgiveness | | |
| Weymouth College | ESFA | 1,622 |
| UTC Warrington | Department | 825 |
| The Seckford Foundation Free Schools Trust | ESFA | 755 |
| The Queensmill Trust | ESFA | 726 |
| Bright Futures Educational Trust | ESFA | 369 |
| Aquinas Church of England Education Trust Ltd | Department | 301 |
| Apprenticeship provider corporate failures | | |
| Vista Training Solutions | Department | 2,200 |
| ARC Academy UK Ltd | Department | 2,016 |
| Apex Management Consultants Ltd | Department | 890 |
| Insight Development & Consultancy Ltd | Department | 491 |
| People and Business Development Ltd | Department | 431 |
| Hair and Beauty Industry Training Ltd | Department | 363 |
| Other | | |
| Medway Council | ESFA | 3,004 |

Student loans

Student loan losses are disclosed here because the Department receives HMT approval for the losses at an aggregate level. Each specific loss is below the £300,000 disclosure threshold.

HMRC collects student loan repayments from borrowers on behalf of the Department collected by employers through the tax system. During the year, £6.8 million (prior year: £7.5 million) was written-off in respect of student loan repayments which have been collected by the employer from the borrower but were uncollectable by HMRC, normally because of employer insolvency. The number of cases relating to these losses is 61,414 (prior year: 48,183).

Re-brokerage debt forgiveness

Balances owed by academies and colleges may in some circumstances be waived to facilitate the re-brokerage of the academy or college to a more sustainable academy trust or college corporation.

Apprenticeship provider failures

Overpayments of grants can occur when payments to education providers exceed the final funding eligible for that period. The debts arise mainly where providers have overstated funding claims for delivery during a contract, for example where a learner started but did not complete. This results in the funding claim subsequently being reduced or corrected during reconciliation or following an audit. As such, the monies the providers received exceeded the amount which they were entitled to at the end of the contract.

The Department seeks to reclaim all such monies but in some cases the provider has failed. In such circumstances the debts are written-off.

Other

In certain limited circumstances the Department may choose to write-off grant overpayments arising from other reasons. In all situations, the Department has taken a view that seeking recovery of funds would not be value for money or could imperil continued education provision.

A1.4 Store losses over £300,000

There were no individual store losses over the threshold for additional reporting.

A2 Special payments

| Item | 2024-25 | | 2023-24 | |
|--|-----------------------|--------------|-----------------------|--------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | Number | Number | Number | Number |
| Student loans | – | 1,540 | – | 1,518 |
| Special severance payments | 4 | 23 | – | 2 |
| Other | 200 | 200 | 50 | 51 |
| Total number of cases | 204 | 1,763 | 50 | 1,571 |
| | £000 | £000 | £000 | £000 |
| Student loans | – | 127 | – | 166 |
| Special severance payments | 76 | 1,299 | – | 115 |
| Other | 1,396 | 1,396 | 3,223 | 3,231 |
| Total value of special payments | 1,472 | 2,822 | 3,223 | 3,512 |

Student loans

The high volume of Group losses disclosed above is due to the large number of student loan losses reported by SLC. No single case was above the threshold for additional disclosure below.

Special severance payments

Severance payments are paid under certain circumstances to employees, contractors and others outside of normal statutory or contractual requirements, when leaving employment in the public service, whether they resign, are dismissed, or reach an agreed termination of contract.

For the current year, we made 23 payments totalling £1,299,000 (prior year: two payments totalling £115,000) in respect of severance cases. The highest payment was £142,186 (prior year: £95,000), the lowest payment was £4,568 (prior year: £20,000) and the median payment was £55,924 (prior year: £nil).

A2.1 Special payments over £300,000

| Counterparty | Reporting body | £000 |
|--------------|----------------|------|
| Skanska | Department | 533 |

This payment was final settlement for work completed by Skanska under a school construction contract that was terminated by the Department.

A3 Student loans written-off in the year

| Item | 2024-25 | | 2023-24 | |
|--|-----------------------|--------------|-----------------------|--------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| Due to: | | | | |
| death | 252.6 | 252.6 | 54.6 | 54.6 |
| access to higher education | 39.8 | 39.8 | 53.9 | 53.9 |
| age | 13.5 | 13.5 | 9.4 | 9.4 |
| disability | 3.3 | 3.3 | 2.6 | 2.6 |
| bankruptcy, on completion of individual arrangement or other | 0.4 | 0.4 | 0.1 | 0.1 |
| Total | 309.6 | 309.6 | 120.6 | 120.6 |

The increase in cancellations due to death relates to a new data sharing process whereby HMRC share confirmation with us more quickly than in the past, which means the processing backlog is now up to date.

A4 Gifts

The total of all gifts and hospitality that have been paid out this year are as follows:

| Item | 2024-25 | | 2023-24 | |
|------------------------------|-----------------------|--------|-----------------------|--------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | Number | Number | Number | Number |
| Total number of cases | – | 26 | 8 | 54 |
| | £000 | £000 | £000 | £000 |
| Total value of gifts | – | 1 | 1 | 3 |

There were no gifts over the additional reporting threshold of £300,000.

Remote contingent liabilities

In addition to contingent liabilities reported within the meaning of IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37) (see note [22](#)), the Group also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the accounting standard's definition of a contingent liability.

Quantifiable

The Group has entered into the following quantifiable remote contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. In accordance with Parliamentary reporting requirements, we are obliged to disclose these although none of these are contingent liabilities under the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is judged to be too remote.

One remote contingent liability has been reported to Parliament by departmental minute:

- [LGPS guarantee for FE providers](#)⁵⁸ – unquantifiable

58 <https://questions-statements.parliament.uk/written-statements/detail/2024-11-12/hcws202>

Table 24: Reconciliation of remote contingent liabilities included in the Supply Estimate to the accounts

| Description of contingent liability | Supply Estimate | Amount disclosed in ARA | Variance (Estimate less ARA value) |
|--|------------------|-------------------------|------------------------------------|
| | £000 | £000 | £000 |
| Operational activities | | | |
| Sanctuary Buildings property insurance | 100,000 | 100,000 | – |
| St Paul's Place property insurance | 100,000 | 40,000 | 60,000 |
| Curriculum body asset transfer | 10,000 | 10,000 | – |
| Pension guarantor to Universities Superannuation Scheme | 4,000 | 4,000 | – |
| Data sharing agreements | 3,000 | 3,000 | – |
| Contract early termination | 1,954 | 1,954 | – |
| Junior ISA exposure | 1,717 | 1,701 | 16 |
| Free school principal designates | 345 | 564 | (219) |
| Legal cases | 125 | 296 | (171) |
| Potential litigation | – | 47,000 | (47,000) |
| Sub-total | 221,141 | 208,515 | 12,626 |
| Education estate activities | | | |
| Academy PFI contracts | 9,250,000 | 10,178,000 | (928,000) |
| Indemnities relating to 27 s278 (highways) agreements with local authorities to support school development works | 246,432 | 256,432 | (10,000) |
| Indemnity to the landlord for academy site leases rentals | 12,500 | 12,500 | – |
| Indemnity in relation to s38 (highways) with the NHS to support school development works | 10,000 | 10,000 | – |
| Indemnity in relation to s184 (highways) with a local authority to support school development | 10,000 | 10,000 | – |
| Indemnities in relation to s104 (sewage works) with local authorities to support school development | 10,000 | 10,000 | – |
| Coal Authority permit for school builds | 10,000 | 20,000 | (10,000) |
| Indemnities with county councils to support school developments | 10,049 | 20,049 | (10,000) |
| Tenant default agreements | 2,901 | 2,901 | – |
| Relocation costs for the National College for Digital Skills | 225 | – | 225 |
| Indemnity in respect of commercial free school lease | 110 | 110 | – |
| Sub-total | 9,562,217 | 10,519,992 | (957,775) |
| Total | 9,783,358 | 10,728,507 | (945,149) |

Summary of significant exposures

Operational activities

Property insurance

The Department has agreed with contractors to cover losses incurred if a catastrophic event occurred during the development of two of our properties (Sanctuary Buildings and St Paul's Place). The cover has been provided in accordance with Managing Public Money's view that government departments should not incur excessive insurance costs, but bear risks themselves where possible for value for money.

Education estate activities

Academy-sector PFI contracts

The contingent liability arises from support the Department may provide local authorities for their PFI arrangements. These contingent liabilities are the result of the Group, acting as an agent to the Secretary of State, agreeing to provide an indemnity to local authorities for potential costs on buildings they own but manage through existing PFI arrangements. The properties are used by academies.

This type of indemnity is considered low risk and is only a feature of the academy programme in very specific circumstances.

Local authority indemnities

Acting as developer and arising from planning decisions, the Department has provided uncapped indemnities to local authorities (acting as competent sewage or highways authorities) in relation to education provider building projects. Indemnities arise under different statutes:

- section 278 of the Highways Act 1980 (highways infrastructure), 28 cases ranging from £127,000 to £11 million with one case being agreed after Supplementary Estimates was produced
- section 184 of the Highways Act 1980 (highways infrastructure), one case
- section 104 of the Water Industry Act 1991 (sewers), one case which was identified after Supplementary Estimates was prepared
- section 38 of the Highways Act 1980 (highways infrastructure), one case



Unquantifiable

Table 25: Reconciliation of remote contingent liabilities included in the Supply Estimate to the accounts

| Description of contingent liability | Included in Supply Estimate | Included in ARA |
|--|-----------------------------|-------------------------------|
| Operational activities | | |
| Guarantees to Local Government Pension Scheme to meet the pension deficit if an academy or a college closes. | Yes | Financial statements (IAS 37) |
| Statutory indemnity in relation to the Office of the Schools Adjudicator outlined in paragraph 7 of schedule 5 to the Schools Standards Framework Act 1998. | Yes | Financial statements (IAS 37) |
| The Department contracts with lead suppliers for the delivery of the early career framework and national professional qualification. The Department used model government clauses on indemnity limits and since the introduction of the revised data protection legislation under the general data protection regulation it has been standard practice to include unlimited liability relating to data protection fines. | Yes | Remote |
| As a result of entering into a PFI arrangement for the building of schools there are a number of contracts in place which have clauses that could give rise to liability for the Department. | Yes | Remote |
| The sale of student loans necessitated warranties and indemnities to secure interest and obtain value for money from investors. | Yes | Remote |
| An indemnity in place with a software supplier, which protects the supplier in respect of any litigation raised against it relating to the provision of services by them. | Yes | Remote |
| Contingent liability to the Civil Service Pension Scheme for the incremental costs of uprating accrued benefits by the Consumer Prices Index (CPI), if a decision is taken in future to uprate benefits in the scheme by less than CPI. | Yes | Remote |
| Litigation | Yes | Remote |
| Education estate activities | | |
| A basic asset protection agreement with a public sector company for development works at education providers. | Yes | Remote |
| Uncapped indemnity related to a section 185 (sewage works) agreement entered into as part of education provider site developments. | Yes | Remote |
| The permanent site for an academy was subject to entering an unlimited indemnity with Canal and Rivers Trust to allow the drainage connection. | Yes | Remote |
| As a result of entering into contracts on site purchases, the Department are subject to a number of overage clauses. These are considered to be remote as they relate to changes in contractual arrangements. | Yes | Remote |
| Uncapped indemnity related to section 104 of the Water Industry Act 1991 (sewage), entered into to support education provider site developments. | Yes | Remote |
| Uncapped indemnity related to section 38 of the Highways Act agreements entered into to support education provider site developments. | Yes | Remote |
| Indemnities provided to local authority landlords for potential costs in not performing its obligations under various building contracts and leases to which the Department is a counterparty. | Yes | Remote |
| Uncapped indemnity, relating to 24 agreements for schools and colleges in respect of section 278 (highways infrastructure) of the Highways Act 1980 that supports education provider site developments. | Yes | Remote |
| Coal Authority permit – the permit is required to undertake ground investigation surveys as part of the delivery of education provider projects, 42 agreements in place. | Yes | Remote |

Cost allocations and charges

As a public sector information holder, the Group was compliant with HMT's issued guidance on cost allocation and charging for information services in this financial year.

Cabinet Office functional standards (unaudited)

Cabinet Office's [functional standards](#)⁵⁹ exist to create a coherent, effective and mutually understood way of doing business within government organisations. These standards are mandated for use across central government.

The Department has assigned heads of function who are responsible for implementing the standard in their respective areas. Progress on the Department's compliance with standards is regularly monitored across all functions. Most functional areas have completed 'continuous improvement assessment frameworks', with some assessments being validated by external parties with suitable expertise.

Of the thirteen functional areas operational in the Department, five have been assessed as meeting all mandatory elements and the most important advisory elements, in these functional areas. The eight remaining areas have been assessed as 'in development'. Plans are in place to ensure full compliance in these areas on the condition that doing so achieves value for money for the Department.

Susan Acland-Hood

Accounting Officer

11 July 2025

⁵⁹ <https://www.gov.uk/government/collections/functional-standards>

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Department for Education and of its Departmental Group for the year ended 31 March 2025 under the Government Resources and Accounts Act 2000. The Department comprises the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2024. The financial statements comprise: the Department's and the Departmental Group's:

- Statement of Financial Position as at 31 March 2025;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Department and the Departmental Group's affairs as at 31 March 2025 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HMT directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2025 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2024*. I am independent of the Department and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

| Framework of authorities | |
|-------------------------------------|---|
| Authorising legislation | Government Resources and Accounts Act 2000 Education Act 2002 Teaching and Higher Education Act 1998 Education (Student Support) regulations Local Government Act 2003 Children and Families Act 2014 Apprenticeships, Skills, Children and Learning Act 2009 Higher Education and Research Act 2017 |
| Parliamentary authorities | Supply and Appropriations Act |
| HM Treasury and related authorities | Managing Public Money |

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Department and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Department or its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Department and its Group is adopted in consideration of the requirements set out in HMT's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of

the financial statements where it is anticipated that the services which they provide will continue into the future.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified through the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around management override of controls, an area where my work has not identified any matters to report.

The key audit matters were discussed with the Audit and Risk Committee; its report on matters that it considered to be significant to the financial statements is set out on page 112.

In this year's report the following changes to the risks identified have been made compared to my prior year report:

There is a new key audit matter relating to the Departmental Group's response to the risk of it breaching HM Treasury budgetary controls. We have refined the significant risk over the student loan book valuation to focus on undergraduate and postgraduate loans. These are the largest drivers of the student loans balance and the areas where the risk of material error is most likely to occur. The remaining loans relate to further education loans amounting to only £0.9 billion (0.6%) of the total balance of £158 billion at the year end.

| Key audit matter – Valuation of the Student Loan Book including data inputs | |
|---|--|
| Description of risk | |
| <p>The English Student Loan Book is a highly material estimate within the Department's accounts. The student loans valuation is derived from an intricate statistical model and relies on significant management judgements, interventions, data inputs and assumptions that are individually complex or subjective. Small changes in assumptions can lead to material changes in the estimate.</p> <p>This risk is only relevant to the parent Department, which accounts for the loan book in its entirety. The data inputs into the student loan book (processed and administered by SLC) have also been classified a significant risk, which is captured within my consideration of the valuation of the student loan book. As at 31 March 2025, the loan book comprises £265 billion of issued loans, valued at £158 billion in the accounts. The carrying value is made up of £151 billion of higher education loans (Plans 1, 2 and 5), £6 billion postgraduate loans (Plan 3) and £935 million further education loans (Plans 2 and 5).</p> <p>The valuation model itself requires a significant forward-look at many key areas of the UK economy. The model must account for macroeconomic assumptions which are expected to incorporate key factors affected by the UK economy such as inflation, employment and earnings of the loan book population, and the Bank of England base-rate, and these are projected up to 2072 in many cases. The model is therefore not overly sensitive to short-term trends given the longevity of the repayments window.</p> <p>The valuation model and the data inputs, including assumptions, into the model are considered a key audit matter as the valuation is highly material, highly judgemental and is a complex estimate.</p> | |
| How the scope of my audit responded to the risk | <p>In assessing the Department's valuation of the student loan book and the modelling, I have not elected to use a specific materiality for the loan book and have continued to use our existing materiality applicable to the whole account, being £921 million.</p> <p>I assessed the valuation of the loan book and the data inputs (such as borrower characteristics and earnings data) through several audit procedures.</p> <p>I tested and confirmed the new loans issued in year (loan additions) back to relevant data to confirm the appropriateness of the new loans issued and to identify any levels of fraud and error present in the population of new loans issued. This work built upon the work performed by the internal auditors, GIAA, who perform a test of 384 students to assess the level of error in the population of new loans issued, after reviewing the testing of 1,100 students by SLC, covering all types of loans issued. In the current year, the estimated extrapolated level of fraud and error in the population of new loans issued of £20.7 billion was approximately £327 million, which is deemed to be irregular spend. This represents loans issued where some eligibility criteria were not evidenced or where a specific loan type was allocated to an inappropriate individual. This error is lower than in the previous year, where it was estimated in 2023-24 to be £405 million.</p> |

Key audit matter – Valuation of the Student Loan Book including data inputs

I risk assessed the IT systems with SLC that underpin the loan book, including the LA Portal, Assessment Platform and the CLASS system. I reviewed the design and implementation of relevant processes and controls in respect of data inputs and the flowthrough of information between relevant systems, including new loans, loan data and repayments.

When testing new loans issued in year, I confirmed the accuracy of the relevant characteristics which are key data inputs in the student loans book valuation model, such as gender, age, course type and education establishment.

I performed testing to confirm the accuracy of data flows between HM Revenue and Customs (HMRC) and SLC, and onto the Department, in respect of borrower data (including earnings information) and repayment data. This provides assurance that borrower repayments data used in the valuation model is accurate and reliable.

I tested repayments in year, by assessing the loans collected through the PAYE and Self Assessment system by HMRC and confirming that the amounts collected are paid over to the Department in year and accounted for correctly. As the repayments through SLC are not material, no further specific procedures are performed on this figure, other than a cash reconciliation. I also tested a sample of individuals within the Department loan book population back to HMRC data to confirm that the earnings data used by the Department is consistent with that held by HMRC, from whom the data is derived.

I audited, using auditors' experts familiar with modelling and data analysis, the many components of the valuation model used by the Department, including its earnings model, repayments model, outlay model, and the associated sub-models. This included analysing and assessing the code used in the model to achieve its outcomes and whether the modelling choices, assumptions and calculations are appropriate.

I assessed whether the choice of modelling techniques for key parts of the model is appropriate and I have assessed the appropriateness of key assumptions and considered whether there are any alternative measures or assumptions, or whether there is any management bias within the assumptions used.

I have reperformed the modelling calculations and sought to recreate the modelled output from the Department.

I considered the governance, quality assurance processes, checks and assessment by the Department, and any change management procedures for managing the model and the modelling environment.

Key audit matter – Valuation of the Student Loan Book including data inputs**Key observations**

I performed extensive work on the key loan model pipelines and am content that the method used is appropriate, that the estimated valuation of the loan book is in line with the model and its outputs, that the model data inputs are appropriate and complete and the key assumptions are appropriate.

I concluded that the valuation models are operating as expected and that this represents a reliable estimate of the valuation of the loan book in line with IFRS 9 as interpreted and adapted by FReM. I concluded my testing on new loans issued and the loans repaid in year.

The result of my work was satisfactory. However, I draw attention to the disclosures made in note 1.3.2-1.3.5 and note 14 concerning critical accounting judgements and key sources of estimation uncertainty relating to the valuation of student loans. As set out in these disclosures there is a high degree of inherent estimation uncertainty in the loan valuation, as repayments are highly dependent on macroeconomic circumstances over the long-term. Significant changes to the valuation could occur as a result of the subsequent information and events which are different from the current assumptions adopted by the Department.



Key audit matter – Regularity of Loans and Grants

Description of risk

I identified the risk of irregularity of grants and loans across the Departmental Group as a significant risk and key audit matter. Significant numbers and values of grants and grant-like loans (ie student loans) are issued by entities within the Departmental Group. The Department issued £20.7 billion in student loans and paid out £88.3 billion in resource grants and £5.5 billion in capital grants in the current year. Grant expenditure is inherently riskier with respect to regularity than other types of expenditure incurred by the Departmental Group. This is mainly because the benefit of the underlying goods/services is received by a party other than the Department, so it is more difficult for the Department to determine if the benefit has been delivered in those circumstances where the primary legislation requires it to do so. This risk also encompasses the accuracy of formula-driven grant allocations and the validity of underlying data used to produce them where this data is provided by the recipient themselves.

My prior year estimates of aggregate grant irregularity across the Departmental Group have not been material. However, a consistent issue was identified in previous years where I noted a significant value of grant spend where assurance was limited. These were grants that were exposed to some risk of irregularity, though they varied in value and by grant stream year-on-year. In the current year, this has remained the case, with some newer grant streams being more difficult to assure as regular, as well as having irregularity associated with some existing grant streams. The total irregularity this year was also not material, although I continued to identify some sizable irregularity associated with the Department's grants.

The risk also includes the risk of fraud and error in the student loan population, which is tested as part of the loan book audit but also forms part of our overall assessment of regularity of loans.

I assessed that there are continuing financial pressures in the education sector, which may incentivise people to claim additional funding inappropriately. There are several new grant streams in year, including £2,027 million new early years entitlement, £1,188 million new core budget grants, £1,067 million teacher pension contribution grants, £173 million for wraparound programme, £278 million for supporting families, £86 million for Advanced British Standard – schools and £46 million for targeted retention incentives. As noted, assurance over new grant streams can have an elevated risk as new assessment procedures are put into place which may not be operating effectively throughout the year, or which are required at speed to address an issue in the current year.

This risk is group-wide, with key contributors being the Department itself and its £15 billion of grants, ESFA and its assessment of £79 billion of grants, and OfS. Student loans are also administered by the SLC as a service organisation for the Department.

| Key audit matter – Regularity of Loans and Grants | |
|---|---|
| <p>How the scope of my audit responded to the risk</p> | <p>I tested the regularity of grants by selecting samples of grants by stream and tying these back to authorising legislation and HMT approvals, underlying grant agreements, cash paid, and evidence received from grant recipients to confirm eligibility and use of funds. Where a recipient has not provided appropriate evidence, or where there are terms and conditions that have not been complied with, I deem these grants to be irregular. For most grants, the terms and conditions set by the Department are what determines the regularity in line with the relevant laws and statutes. For the Department and ESFA this is often derived from the Education Act 2002 and the Local Government Act 2003. For OfS, this is often derived from the Higher Education and Research Act 2017. Once determined, they become the requirements for grant spending to be regular.</p> <p>For ESFA, my testing involved reperformance of the work of the Funding and Financial Oversight Assurance (FFOA) function, formerly Corporate, Assurance and Restructuring Directorate (Assurance) (CARD(A)), in order to assess the level of error in the grants paid out to the sector via ESFA, verifying these to the documentation provided to ESFA to confirm eligibility and appropriate use grants of funds.</p> <p>For the core Department, there is no central testing function equivalent of FFOA for the majority of capital and resource grants, and therefore I risk-assessed all the grants issued by the Department based on the level of hypothecation and the restriction in place for the grant. The only exception is the apprenticeship grants which relies on FFOA to provide assurance to the Department that the spend is regular. For higher risk grants, I selected a sample of grants to agree to supporting documentation and assessed each one on its own merit. The testing requires understanding each grant stream and the documentation required. This may involve seeking further evidence from the recipient regarding its use of funds where this is restricted.</p> <p>I also sought to predict grant spend, using a substantive analytical procedure where data is publicly available, to assess the level of grant eligible to a recipient or group of recipients, which is particularly the case for the devolved adult education budget grants and the formulaic capital grants which are paid out as a block to recipients. This was also the approach taken for the pupil premium, teacher pay and pension grants, high needs, universal infant free school meals and several other smaller grant streams within ESFA.</p> <p>I then aggregated the level of irregularity identified in respect of grants, through the many strands of testing, to arrive at an overall conclusion.</p> |

Key audit matter – Regularity of Loans and Grants**Key observations**

As a result of my testing, I identified irregular grant spend in several areas. Within the core Department, I identified estimated irregular grant spend of £61 million relating to various grant streams. I also identified an estimated £588 million of irregular spend within ESFA and £63 million of known irregular spend.

Separately, I identified an estimated £327 million of irregular student loans issued.

Key audit matter – Budgetary pressures

I identified a risk relating to the Department being at risk of breaching HM Treasury-imposed budgetary control totals on specific ring-fenced expenditure within the Resource Departmental Expenditure Limit (RDEL). The ring-fences are not voted Parliamentary control totals reported in the Statement of Outturn against Parliamentary Supply or included within the Supply Estimates. However, they form a vital part of the HM Treasury (HMT) spending control framework. A breach of a ring-fence is a breach of an HMT control and therefore irregular. In early 2025, the Department itself had identified the risk that it would breach the policy ringfences and was engaging with HMT to identify ways in which it could regularise the position. As the external auditor, I recognised the risk of irregular expenditure arising from a breach of HMT budgetary control totals, and I also identified the risk that management was in a unique position to manipulate the budgetary classification and recognition of transactions to achieve a more favourable outcome, and if possible, avoid breaching these HMT budgetary controls.

Finally, I identified a corresponding risk that the policy ringfences in place would restrict the Department's authority to make virements between sections and subheads of its Estimate, such that it would exceed the provision in its estimate at section or subhead level.

| Key audit matter – Budgetary pressures | |
|--|---|
| How the scope of my audit responded to the risk | <p>I performed a risk-based analysis of journals posted in the last financial quarter, focussing my testing on journals with risky characteristics such as journals which changed expenditure budgetary classification.</p> <p>I performed work on the cut-off and completeness of expenditure to gain assurance that expenditure had not been incorrectly deferred or not recognised.</p> <p>This testing was performed at the parent department and at specific group components where I deemed the risk of manipulation to be high.</p> <p>I confirmed that the Department's outturn figures reported in the Statement of Outturn against Parliamentary Supply were correctly derived from the underlying financial information and monitored the Department's engagement with HM Treasury and the related outcome.</p> <p>I reviewed correspondence between the Department and HM Treasury in relation to requests for relaxation of the policy and depreciation ring-fences.</p> <p>I reviewed the virements made by the Department to move provision within its Estimate at section and subhead level, to confirm that it had not moved provision between non-ringfenced and ring-fenced (depreciation) expenditure.</p> <p>Key observations</p> <p>My testing of journals and cut-off and completeness of expenditure did not identify any deliberate manipulation of the budgetary classification and recognition of expenditure.</p> <p>The Department obtained approval from the Chief Secretary of the Treasury (CST) for the relaxation of the policy ringfenced expenditure within RDEL, thereby removing the risk of breaching the policy ringfenced expenditure controls.</p> <p>The Department also sought CST approval for the relaxation of the depreciation ringfence, but this was rejected. The Department has exceeded HMT's budgetary control total in respect of RDEL excluding depreciation by £590,000.</p> <p>I consider the overspend on RDEL excluding depreciation to be irregular. I have assessed that the irregularity is not material, primarily due to the value of expenditure in breach, but in making my assessment I have also noted that RDEL excluding depreciation is a key control within HM Treasury's spending control framework.</p> |

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the Department and its Group's financial statements as a whole as follows:

| | Departmental Group | Department parent |
|--|---|---|
| Materiality | £925 million | £921 million |
| Basis for determining overall account materiality | 0.95% of grossed up P8 expenditure of £97 billion (£90 billion in 2023-24) excluding the expenditure impact of student loans as this is highly volatile. Materiality was not updated for the final outturn figures. | 0.95% of grossed up P8 expenditure of £97 billion (£90 billion in 2023-24) excluding the expenditure impact of student loans as this is highly volatile. Materiality was not updated for the final outturn figures. |
| Rationale for the benchmark applied | <p>I have identified gross expenditure as the appropriate benchmark, given it is likely to be the key focus for users of the account. The Departmental Group's main activities are to provide education services, which it does mainly through grant expenditure, which makes up the majority of gross expenditure. I also assessed other benchmarks, and noted that net assets or profit, as is used by auditors in the private sector, are not appropriate for a major Department of State, particularly one with no profit.</p> <p>I excluded the fair value movement of student loans from the gross expenditure figure as it is a volatile figure and holding the loan book is not the main driver in determining the Department's activity.</p> | The Department materiality benchmark has the same rationale as the Departmental Group as the majority of the Group's spend is within the Department and its executive agencies. |

| | Departmental Group | Department parent |
|--|---|--------------------------|
| | I have not sought to use an alternative benchmark for the student loan book, or for grant regularity. The grant regularity consideration is the same as the expenditure and therefore is deemed sufficient. | |

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality of the financial statements as a whole. Group performance materiality was set at 75% of Group materiality for the 2024-25 audit (2023-24: 75%). In determining performance materiality, we have also considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

There were no significant revisions to the materiality threshold as the audit progressed, as gross expenditure outturn figures were similar to the forecasted figures used to calculate materiality at planning. There were no revisions to our benchmark, percentage or performance materiality.

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing my audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £1 million for true and fair purposes and £300,000 for regularity purposes, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit and Risk Committee would increase net expenditure and decreased assets by £47 million.

Audit scope

The scope of my Group audit was determined by obtaining an understanding of the Department and its Group's and its environment, including Department and Group-wide controls, and assessing the risks of material misstatement at the Group level.

The Department for Education comprises the core Department and the 14 entities within its boundaries and has total Group operating expenditure of £95 billion. The Group's largest significant component, ESFA, delivers most of the Group's grant expenditure at £79 billion. OfS is also a significant component because of its grant expenditure of £1.6 billion.

I have audited the full financial information of the core Department, as well as the group consolidation. The audits of the significant Group components were complete at the time of my completion of the group audit. As Group auditor, I have used the work of the component auditors in respect of specific account areas per my risk assessment. I have engaged regularly with component auditors on the Group significant risks, including the regularity of grant expenditure. I asked component auditors to report issues and errors identified by exception and considered the impact of them on the Group audit.

I have used the work of component auditors for specific account areas which contribute to the significant risk of grant regularity, namely ESFA and OfS.

I instructed the component auditors of the ESFA, Standards and Testing Agency, Teaching Regulation Agency and Social Work England to perform specific work related to the significant risk at Group-level in respect of budgetary pressures. These audit procedures have provided sufficient assurance for the audit of SOPS.

I covered 76% of the Group gross expenditure through the work of component auditors and 24% through the work directly performed by us as the Group auditor. Where I am using the work of component auditors, I have evaluated their risk assessment and audit approach and instructed component auditors to perform specific work to support the Group audit opinion. I have reviewed the work performed by the component auditors in support of the Group audit opinion.

This work covered substantially all of the Group's assets and net expenditure, and together with the procedures performed at group level, gave me the evidence I needed for my opinion on the Group financial statements as a whole.

Other Information

The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HMT directions issued under the Government Resources and Accounts Act 2000; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Department and its Group and their environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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

- adequate accounting records have not been kept by the Department and its Group or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HMT's FReM have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HMT's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Department and its Group from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view and are in accordance with HMT directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HMT directions issued under the Government Resources and Accounts Act 2000; and
- assessing the Department and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Department and its Group will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Department and its Group's accounting policies and key performance indicators.
- inquired of management, the Department's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department and its Group's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Department and its Group's controls relating to the Department's compliance with the Government Resources and Accounts Act 2000, Managing Public Money, the Supply and Appropriation Acts, the Education Act 2002, Teaching and Higher Education Act 1998, the Education (Student Support) regulations, and the Local Government Act 2003;
- inquired of management, the Department's head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team including relevant component audit teams and the relevant internal specialists, including modelling teams, data and analytics teams and IT audit regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Department and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates, the misuse of grant funding and manipulation of pupil numbers underpinning grant funding, and eligibility for student loan funding. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Department and its Group's framework of authority and other legal and regulatory frameworks in which the Department and Group operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Department and its Group. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation Acts, Education Act 2002, Teaching and Higher Education Act 1998,

Education (Student Support) regulations, the Local Government Act 2003 and Higher Education and Research Act 2017.

I considered the risks of irregularity relating to grants, where there is a risk that grant recipients may inappropriately submit grant claims, for example if the underlying activity did not occur or if grant conditions were not complied with.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- I performed substantive procedures to test grants issued by the Department and its Group, have been paid out and used by recipients, in line with the Department and its Group's framework of authorities; and
- I required component auditors to conduct appropriate procedures (testing operating effectiveness of controls and performing substantive procedures as relevant, according to the assessed risk levels) to test that grants have been paid out by components and used by recipients, in line with the Group's framework of authorities.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and relevant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that SOPS properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General

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

14 July 2025





Financial Statements

Consolidated Statement of Comprehensive Net Expenditure

For the year ended 31 March 2025

| | Note | 2024-25 | | 2023-24 | |
|---|---------------------|-----------------------------|----------------|-----------------------------|---------------|
| | | Department & Agencies £m | Group £m | Department & Agencies £m | Group £m |
| Income | 4 | (291) | (672) | (310) | (634) |
| Total income | | (291) | (672) | (310) | (634) |
| Staff costs | 5 | 525 | 815 | 517 | 793 |
| Policy funding: | 6 | | | | |
| resource | | 88,634 | 88,318 | 81,059 | 80,673 |
| capital | | 5,340 | 5,506 | 5,970 | 6,152 |
| Purchase of goods and services | 7.1 | 272 | 474 | 275 | 466 |
| Depreciation amortisation and other non-cash charges | 7.2 | 284 | 347 | 231 | 296 |
| Total operating expenditure | | 95,055 | 95,460 | 88,052 | 88,380 |
| Net operating expenditure | | 94,764 | 94,788 | 87,742 | 87,746 |
| Finance income | | (15) | (34) | (3) | (22) |
| Finance expense | | 55 | 74 | 50 | 72 |
| Other losses or (gains) | 8 | 8,945 | 8,945 | 2,582 | 2,582 |
| Net expenditure for the year | | 103,749 | 103,773 | 90,371 | 90,378 |
| Other comprehensive expenditure | | | | | |
| Items that will not be reclassified to net operating expenditure: | | | | | |
| net (gain) or loss on revaluation of property, plant and equipment, right-of-use assets and intangible assets | | – | 2 | – | (2) |
| actuarial (gain) or loss on defined benefit pension scheme | | – | (9) | – | 1 |
| Total other comprehensive expenditure | | – | (7) | – | (1) |
| Comprehensive net expenditure for the year | | 103,749 | 103,766 | 90,371 | 90,377 |

All income and expenditure reported in the Statement of Comprehensive Net Expenditure are derived from continuing operations.

The notes on pages 206 to 271 form part of these accounts.

Consolidated Statement of Financial Position

As at 31 March 2025

| | Note | 2025 | | 2024 | |
|--|----------------------|-----------------------------|----------------|-----------------------------|----------------|
| | | Department & Agencies £m | Group £m | Department & Agencies £m | Group £m |
| Non-current assets | | | | | |
| Operational assets | 9 | 233 | 304 | 251 | 317 |
| Education sector assets | 10 | 739 | 739 | 820 | 820 |
| Intangible assets | | 295 | 384 | 270 | 352 |
| Student loans | 14 | 152,380 | 152,380 | 146,749 | 146,749 |
| Other loans | 15 | 330 | 741 | 246 | 680 |
| Investments | | 76 | 76 | 68 | 68 |
| Receivables | 16.2 | 44 | 41 | 42 | 42 |
| Total non-current assets | | 154,097 | 154,665 | 148,446 | 149,028 |
| Current assets | | | | | |
| Assets held for sale | | 44 | 44 | 20 | 20 |
| Student loans | 14 | 5,486 | 5,486 | 4,233 | 4,233 |
| Other loans | 15 | 45 | 84 | 45 | 85 |
| Receivables | 16.1 | 686 | 723 | 444 | 474 |
| Cash and cash equivalents | 17 | 502 | 636 | 892 | 1,056 |
| Total current assets | | 6,763 | 6,973 | 5,634 | 5,868 |
| Total assets | | 160,860 | 161,638 | 154,080 | 154,896 |
| Current liabilities | | | | | |
| Payables | 18 | (2,509) | (2,626) | (2,938) | (3,036) |
| Lease liabilities | 20 | (11) | (13) | (19) | (19) |
| Provisions | | (60) | (87) | (69) | (75) |
| Financial guarantees | | (8) | (8) | (25) | (25) |
| Total current liabilities | | (2,588) | (2,734) | (3,051) | (3,155) |
| Total assets less current liabilities | | 158,272 | 158,904 | 151,029 | 151,741 |
| Non-current liabilities | | | | | |
| Payables | 19 | (780) | (1,206) | (862) | (1,314) |
| Lease liabilities | 20 | (155) | (184) | (178) | (210) |
| Provisions | | (220) | (224) | (220) | (255) |
| Financial guarantees | | (4) | (4) | (14) | (14) |
| Retirement benefit obligations | | – | (12) | – | (20) |
| Total non-current liabilities | | (1,159) | (1,630) | (1,274) | (1,813) |
| Assets less liabilities | | 157,113 | 157,274 | 149,755 | 149,928 |
| Taxpayers' equity | | | | | |
| General Fund | | 157,113 | 157,184 | 149,748 | 149,818 |
| Revaluation Reserve | | – | 3 | 7 | 9 |
| Charitable Reserve | | – | 87 | – | 101 |
| Total taxpayers' equity | | 157,113 | 157,274 | 149,755 | 149,928 |

Susan Acland-Hood

Accounting Officer

11 July 2025

The notes on pages 206 to 271 form part of these accounts.

Consolidated Statement of Cash Flows

For the year ended 31 March 2025

| | Note | 2024-25 | | 2023-24 | |
|--|---------------------|-----------------------------|-----------------|-----------------------------|-----------------|
| | | Department & Agencies £m | Group £m | Department & Agencies £m | Group £m |
| Cash flows from operating activities | | | | | |
| Net expenditure for the year | SoCNE | (103,749) | (103,773) | (90,371) | (90,378) |
| Adjustments for non-cash transactions: | | | | | |
| student loan fair value loss | 8 | 8,638 | 8,638 | 2,469 | 2,469 |
| other gains or losses (excluding student loan fair value loss) | 8 | 307 | 307 | 113 | 113 |
| de-recognition of education sector assets through leasing | 10 | 265 | 265 | 135 | 135 |
| depreciation, impairment and other non-cash charges | 7.2 | 284 | 347 | 231 | 296 |
| other adjustments | | (18) | (4) | (13) | (18) |
| (Increase)/decrease in receivables | | (256) | (278) | 362 | 371 |
| (Decrease)/increase in payables | | (497) | (504) | 191 | 175 |
| less movements in payables relating to items not passing through net operating costs | | 407 | 431 | (184) | (160) |
| Utilisation of provisions | | (169) | (209) | (147) | (167) |
| Utilisation of financial guarantees | | (25) | (25) | (34) | (34) |
| Finance income | | (15) | (34) | (3) | (22) |
| Finance expense | | 55 | 74 | 50 | 72 |
| Net cash outflow from operating activities | | (94,773) | (94,765) | (87,201) | (87,148) |
| Cash flows from investing activities | | | | | |
| Finance income | | 3 | 22 | 3 | 22 |
| Purchase and development of: | | | | | |
| operational assets | | (25) | (45) | (85) | (121) |
| education sector assets | | (251) | (251) | (323) | (323) |
| intangible assets | | (101) | (134) | (89) | (124) |
| Proceeds on disposal of assets | | 7 | 7 | 2 | 13 |
| Net (draw down)/repayment of: | | | | | |
| student loans | 14 | (15,832) | (15,832) | (15,768) | (15,768) |
| PF2 loan assets | | – | 39 | – | 40 |
| academy sector loans | | 15 | 15 | 9 | 9 |
| FE sector loans | | (71) | (71) | (103) | (103) |
| Net cash outflow from investing activities | | (16,255) | (16,250) | (16,354) | (16,355) |

| | Note | 2024-25 | | 2023-24 | |
|--|--------------------|-----------------------|----------------|-----------------------|----------------|
| | | Department & Agencies | Group | Department & Agencies | Group |
| | | £m | £m | £m | £m |
| Cash flows from financing activities | | | | | |
| Finance expense | | – | (18) | (2) | (24) |
| Consolidated Fund Supply | SoCTE | 110,737 | 110,737 | 103,822 | 103,822 |
| PF2 loan liabilities repaid | | – | (23) | – | (24) |
| Capital element of PF2 notional lease | | (16) | (16) | (16) | (16) |
| Capital element of lease payments | | (25) | (25) | (12) | (15) |
| Interest element of PF2 notional lease | | (47) | (47) | (48) | (48) |
| Interest element of lease payments | | (7) | (9) | (2) | (4) |
| Repayment of long-term investment | | 10 | 10 | 11 | 11 |
| Net cash inflow from financing activities | | 110,652 | 110,609 | 103,753 | 103,702 |
| Net increase/(decrease) in cash and cash equivalents before adjustment for receipts and payments to the Consolidated Fund | | (376) | (406) | 198 | 199 |
| Payments of amounts due to the Consolidated Fund | | (14) | (14) | – | – |
| Net increase/(decrease) in cash and cash equivalents after adjustment for receipts and payments to the Consolidated Fund | 17 | (390) | (420) | 198 | 199 |
| Cash and cash equivalents at the beginning of the year net of overdrafts | | 892 | 1,056 | 694 | 857 |
| Cash and cash equivalents at the end of the year net of overdrafts | | 502 | 636 | 892 | 1,056 |

The adjustments for non-cash transactions are predominately made up of other gains and losses (note [8](#), here split between student loan fair value losses and other gains and losses), de-recognition of education sector assets under leases recognised as capital grants-in-kind (note [10](#)) and depreciation, amortisation and other non-cash charges (note [7.2](#)).

The notes on pages 206 to 271 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2025

| | General Fund | Revaluation Reserve | Charitable Reserve | Taxpayers' Equity |
|--|-----------------------|---------------------|--------------------|-------------------|
| Note | £m | £m | £m | £m |
| Balance at 31 March 2023 | 136,554 | 7 | 120 | 136,681 |
| Net Parliamentary funding: | | | | |
| drawn down | 103,822 | – | – | 103,822 |
| deemed | 693 | – | – | 693 |
| Supply payable adjustment | (878) | – | – | (878) |
| CFERs payable to the Consolidated Fund | (14) | – | – | (14) |
| Comprehensive expenditure for the year | (90,360) | 2 | (19) | (90,377) |
| Non-cash adjustments | | | | |
| Auditor's remuneration | 7.3 1 | – | – | 1 |
| Movement in reserves | | | | |
| Other fund movements | – | – | – | – |
| Balance at 31 March 2024 | 149,818 | 9 | 101 | 149,928 |
| Net Parliamentary funding: | | | | |
| drawn down | 110,737 | – | – | 110,737 |
| deemed | 878 | – | – | 878 |
| Supply payable adjustment | (502) | – | – | (502) |
| CFERs payable to the Consolidated Fund | – | – | – | – |
| Comprehensive expenditure for the year | (103,751) | (2) | (13) | (103,766) |
| Non-cash adjustments | | | | |
| Auditor's remuneration | 7.3 1 | – | – | 1 |
| Movement in reserves | | | | |
| Other fund movements | 3 | (4) | (1) | (2) |
| Balance at 31 March 2025 | 157,184 | 3 | 87 | 157,274 |

The General Fund represents total assets less liabilities, to the extent that the total is not represented by other reserves and financing items for the Department and its Agencies and NDPBs.

The Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to operational assets (see note [9](#)), education sector assets (note [10](#)) and intangible assets.

The Charitable Reserve represents total assets less liabilities related to the Group's training boards less unrealised revaluation adjustments to operational assets (see note [9](#)) and intangible assets.

The notes on pages 206 to 271 form part of these accounts.

Department and Agencies Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2025

| | General Fund | Revaluation Reserve | Taxpayers' Equity |
|--|-----------------------|---------------------|-------------------|
| Note | £m | £m | £m |
| Balance at 31 March 2023 | 136,494 | 7 | 136,501 |
| Net Parliamentary funding: | | | |
| drawn down | 103,822 | – | 103,822 |
| deemed | 693 | – | 693 |
| Supply payable adjustment | (878) | – | (878) |
| CFERs payable to the Consolidated Fund | (14) | – | (14) |
| Comprehensive expenditure for the year | (90,371) | – | (90,371) |
| Non-cash adjustments | | | |
| Auditor's remuneration | 7.3 1 | – | 1 |
| Movement in reserves | | | |
| Other fund movements | 1 | – | 1 |
| Balance at 31 March 2024 | 149,748 | 7 | 149,755 |
| Net Parliamentary funding: | | | |
| drawn down | 110,737 | – | 110,737 |
| deemed | 878 | – | 878 |
| Supply payable adjustment | (502) | – | (502) |
| CFERs payable to the Consolidated Fund | – | – | – |
| Comprehensive expenditure for the year | (103,749) | – | (103,749) |
| Non-cash adjustments | | | |
| Auditor's remuneration | 7.3 1 | – | 1 |
| Movement in reserves | | | |
| Other fund movements | – | (7) | (7) |
| Balance at 31 March 2025 | 157,113 | – | 157,113 |

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

The Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to operational assets (see note [9](#)), education sector assets (note [10](#)) and intangible assets.

The notes on pages 206 to 271 form part of these accounts.

Notes to the Accounts

1. Accounting policies

These accounts have been prepared in accordance with the FReM issued by HMT, as set out in a statutory Accounts Direction issued pursuant to section 5(2) of the Government Resources and Accounts Act 2000 (GRAA).

FReM applies International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context. Where FReM permits a choice of accounting policy, the Group selects the policy which is judged to be most appropriate to the particular circumstances of the Group for the purpose of giving a true and fair view.

The policies adopted by the Group for this year are detailed below and have been applied consistently in dealing with items considered material in relation to the accounts.

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

1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified for the revaluation of property, plant and equipment (PPE), intangible assets, investment properties, student loans, investments and certain financial instruments.

1.2 Going concern

This ARA is prepared on a going concern basis. The Department is Supply financed and thus draws the majority of its funding from the Consolidated Fund. Parliament has demonstrated its commitment to fund the Department (and its bodies) for the foreseeable future.

1.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of these accounts requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenditure. These assessments and underlying assumptions are based on historic and other factors, are reviewed regularly and are considered reasonable.

Management has made judgements on:

1.3.1 Accounting for capital expenditure and education sector assets

Given the scale of the Group's programmes to improve the condition of education sites, accounting for capital expenditure is complex. It involves judgements about which costs to capitalise as PPE and right-of-use assets (RoU assets), and when to de-recognise education sector assets.

Capitalisation of expenditure is reviewed monthly and at year end to determine the appropriate direct costs to capitalise for each identified asset, in line with IAS 16 Property, Plant and Equipment (IAS 16) and IFRS 16 Leases (IFRS 16). Assets are initially recognised at cost.

1.3.2 Student loans – accounting classification

The Group has determined that these loans have and exhibit properties that give rise to them being financial instruments and accounts for them as such under IFRS 9 Financial Instruments (IFRS 9) as adapted and interpreted by FReM. The key test for classifying student loans (fair value or amortised cost) under IFRS 9 is the solely payments of principal and interest test (SPPI test).

The Group reviewed the repayment terms of student loans against IFRS 9's SPPI test and concluded that the repayment cash flows depend on the borrower's income. Additionally, student loans are written-off in certain situations, such as death or inability to work. Therefore, the Group has judged that the cash flows are not simply payments of principal and interest and thus student loans have been classified as fair value through profit or loss (FVTPL).

The split between current and non-current student loans is based on our expectation of the timing of repayments. Repayments forecast within the next 12 months comprise current student loans and the remainder of the student loan book valuation is non-current.

1.3.3 Student loans – initial fair value

When student loans are issued, they are recognised at fair value. There is a difference between the amount advanced to students (transaction value) and the initial fair value of the loans due to the implied sector subsidy within student loans and actual repayment performance. Our valuation technique uses data from unobservable markets (see note [14](#)), making these financial instruments a level 3 classification under IFRS 13 Fair Value Measurement (IFRS 13).

FReM's adaption #5 to IFRS 9 applies where reporting bodies have the situation described above (namely unobservable inputs applied to value Level 3 assets). Adaption #5 requires the new financial asset to be initially valued at fair value, with the fair value gain or loss recognised in profit or loss.

Fair value gains and losses, both on origination and annual revaluations, are recognised within net operating expenditure (see note [8](#)).

1.3.4 Student loans – discount rate

FReM's interpretation #4 of IFRS 9 mandates that where future cash flows are discounted to measure fair value, the Group use the higher of the financial instrument's intrinsic rate or HMT's current discount rates. The discount rates provided by HMT are based on an analysis of real yields on UK index linked Gilts and are specifically appropriate to central government. We test for an instrument's intrinsic rate by setting the initial fair value loss on issuance to 0%.

The discount rates applied are as follows:

- HMT directed rate: undergraduate Plans 1, 2 and 5 loans, and postgraduate Plan 3 doctoral loans
- intrinsic rate: postgraduate Plan 3 master's loans

1.3.5 Student loans – modelling risk

The carrying value of loans is calculated using repayment forecasting models that predict borrowers' likely lifetime earnings based on demographic data of higher and further education students, and from this their loan repayments. Different models are used for the different loan types (undergraduate Plans 1, 2 and 5 loans, and postgraduate Plan 3 loans). The separate models rely on complex sets of assumptions, particularly regarding the trajectory of borrowers' earnings across the different loan types.

Although long-term, the models incorporate the latest OBR short and long-term forecasts for RPI, base rates and earnings growth. The valuation of the student loan book is uncertain due to its dependence on macroeconomic conditions and estimated earnings of graduates over the next 30-40 years, among other assumptions, for a large number of borrowers.

There is limited historic actual repayment data for Plan 3 loans, as the first intake was in 2016. Plan 5 loans started in August 2023 so no historic data is available since these loans have not yet reached any statutory repayment points. Therefore, we have used suitable available information as key inputs for the valuations, which results in a higher degree of uncertainty. As more relevant and reliable data becomes available in the coming years for these plans, this data will be incorporated into the pipeline thereby reducing this level of uncertainty.

The assumptions used in the repayment models are reviewed annually, and the amounts provided reflect the year end estimate. Note [14.3](#) provides quantitative disclosures on the impact of assumption variations and detailed narratives on the different assumptions used. Further information on the [undergraduate model assumptions](#)⁶⁰ is available on the Department's website.

1.3.6 Revenue recognition through performance obligations

IFRS 15 Revenue from Contracts with Customers (IFRS 15) requires revenue to be recognised when the reporting entity has fulfilled performance obligations specified in its contracts with customers.

Management has applied judgement in two main areas:

- identifying performance obligations across IFRS 15 income streams
- assessing how these obligations have been satisfied, either at a point in time or over a period of time

Each income stream was reviewed separately to identify the obligations and how they were satisfied. Please see note [1.9](#) for more information on revenue recognition.

60 <https://www.gov.uk/government/collections/statistics-student-loan-forecasts>

1.3.7 Leases – treatment of peppercorn leases

Management reviewed the large number of leases with nil consideration entered into by the Department to support the academy and FE sectors as both landlord and tenant.

Management consider that the agreements provide a degree of control over specified assets with the Department having no practical ability to substitute assets. Therefore, these peppercorn leases are considered within the scope of the standard.

1.3.8 Leases – short-term leases

FReM requires all departments to adopt the exemption where neither a RoU asset nor a finance liability is recognised for leases of less than twelve months duration (short-term leases). Consequently, rentals for all short-term leases are expensed as incurred.

1.3.9 Leases – low value assets

FReM requires departments to apply the exemption to retain an expense treatment for lease costs of assets classified as low value. Low value is not based on a monetary threshold but rather an assessment of the asset's inherent value to the reporting body. The standard excludes motor vehicles from this exemption.

Management judges that leased office equipment to be low value, as these assets are ancillary to the Group's operations, are consumable and generic. All office equipment leases have been classified as low value.

1.3.10 Leases – discount rate

The Department has taken advantage of the FReM interpretation and applied the discount rate provided by HMT to calculate the initial values for leases. The rate is provided annually for leases entered into based on a calendar year.

1.3.11 Leases – classification of outbound leases

When freehold or leasehold assets (referred to as parent assets in this ARA) are leased out to third parties, IFRS 16 requires an assessment of the nature of the outbound lease. The assessment is based on the transfer of risks and rewards of ownership between the Department and its tenant. If the lease is judged to transfer the majority of risks and rewards, it is classified as a finance lease, otherwise it is considered to be an operating lease.

For finance leases, the parent asset, to the extent covered by the outbound lease, is de-recognised once control is deemed to have passed to the tenant. Control is considered to pass once the lease has been signed with the tenant, or in the case of providers, when a licence to occupy the site lawfully has been signed prior to signing the final long-term lease. When a de-recognised parent asset is leased out under a commercial finance lease, a lease receivable is recognised for future lease receipts.

For operating leases, the parent asset, to the extent covered by the outbound lease, is reclassified as investment property. Under FReM's adoption of IAS 40 Investment Properties such assets are held at fair value and not depreciated.

1.4 Basis of consolidation

1.4.1 Approach

These accounts present the consolidation of the Department, executive agencies and other bodies within the departmental accounting boundary as defined by FReM, forming the Group. Transactions between entities included in the consolidation are eliminated to present the Group's financial performance and financial position as a single economic entity.

The Department is authorised to consolidate its Agencies and NDPBs under the GRAA. A department's designation order specifies the bodies that are required to be included within a department's consolidated accounts, as all such bodies are considered public bodies.

As permitted by IFRS 10 Consolidated Financial Statements, the results and financial position of the following NDPBs have been consolidated as of 31 December 2024, which is within three months of the Group's year end:

- Aggregator Vehicle Plc
- Engineering Construction Industry Training Board

Academy trusts have been excluded from the consolidation since 2016-17 following their removal from the Department's accounting boundary into their own standalone ARA. The Department publishes the academy sector ARA (SARA) separately.

The FE sector has been excluded from this consolidated ARA under a derogation to consolidate issued by HMT. The Department continues to work with HMT and Parliament to determine the consolidation approach for the sector, whether into the Group, into a standalone ARA, or another approach.

1.5 Adoption of FReM amendments

There have been no significant amendments to FReM for this reporting year.

1.6 Early adoption

The Group has not early adopted any accounting standards in this reporting year.

1.7 IFRSs in issue but not yet effective

To comply with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Group must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Group reviewed such IFRSs, to assess their impact on its accounting policies and treatment.

1.7.1 IFRS 17 Insurance Contracts

IFRS 17: Insurance Contracts (IFRS 17) replaces IFRS 4: Insurance Contracts and is to be included in the FReM for mandatory implementation from 2025-26. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of this standard.

IFRS 17 requires insurance contracts, including reinsurance contracts, to be recognised on SoFP as the total of the fulfilment cashflows and the contractual service margin. The fulfilment cashflows consist of the present value of future cash flows calculated using best estimate assumptions with an explicit risk adjustment for non-financial risk. The risk adjustment is released to SoCNE as risk expires. The contractual service margin is the unearned profit on insurance contracts and is released to SoCNE over the insurance contract period as insurance services are provided. Where an insurance contract is onerous, it will have no margin, and the onerous element of the insurance contract will be recognised immediately in SoCNE.

The Group already adopts IFRS 4 insurance accounting for its risk protection arrangement (RPA) for schools and academies. However, RPA activities are immaterial to the Group's financial reporting, so IFRS 17 is not expected to have a material impact to Group reporting.

1.7.2 IFRS 18 Presentation and Disclosure in Financial Statements

Issued on 9 April 2024, with an effective date for the private sector of reporting periods beginning on or after 1 January 2027. The standard has not yet been adopted by FReM, so there is no effective date for central government bodies.

The standard sets requirements for the presentation and disclosure of information in financial statements to ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

Until the standard is adopted into FReM with adaptations and interpretations for the public sector context decided, the Department cannot assess its impact on reporting.

1.7.3 IFRS 19 Subsidiaries without Public Accountability: Disclosures

Issued on 9 May 2024, with an effective date for the private sector of reporting periods beginning on or after 1 January 2027. The standard has not yet been adopted by FReM, so there is no effective date for central government bodies.

This standard addresses how subsidiaries of IFRS-applying entities present their own IFRS-compliant financial statements. The Department is not a subsidiary of a parent company, so this standard is not expected to significantly impact our reporting. However, the full impact cannot be determined until the standard is adopted into FReM with public sector context adaptations and interpretations.

1.7.4 Non-investment asset valuations

In December 2023 HMT released an exposure draft on potential changes to make to valuing and accounting for non-investment assets (eg PPE and intangible assets). The following changes to the valuation and accounting of non-investment assets is to be included in the 2025-26 FReM for mandatory implementation.

References to assets being held for their 'service potential' and the terms 'specialised/non-specialised' assets are being removed from the FReM. Non-investment assets are instead described as assets held for their 'operational capacity'. This change has no impact on the valuation basis of non-investment assets, which remains existing use value.

An adaptation to IAS 16 will be introduced to withdraw the requirement to revalue an asset where its fair value materially differs from its carrying value. Assets are now valued using one of the following processes:

- a quinquennial revaluation supplemented by annual indexation
- a rolling programme of valuations over a five-year cycle, with annual indexation applied to assets during the four intervening years
- for non-property assets only, appropriate indices
- in rare circumstances where an index is not available, a quinquennial revaluation supplemented by a desktop revaluation in year three

The option to measure intangible assets using the revaluation model is withdrawn. The carrying values of intangible assets at 31 March 2025 will be considered the historical cost at 1 April 2025.

We have yet to quantify the impact of the change.

1.7.5 Social benefits

The 2025-26 FReM will include new guidance on accounting for social benefits. The 2025-26 FReM will define social benefits as ‘current transfers received by households (including individuals) intended to provide for the needs that arise from certain events or circumstances, for example, sickness, unemployment, retirement, housing, education, or family circumstances’.

We have yet to quantify the impact of the change.

1.8 Segmental reporting

In accordance with IFRS 8 Operating Segments (IFRS 8), the Group has considered the need to analyse its income and expenditure by operating segments. The Group has assessed that all operations fall within the same geographical location and regulatory environment as envisaged by IFRS 8.

Since segmental information for total assets and liabilities is not regularly reported to the chief operating decision-maker, and in compliance with FReM, it has not been included in these accounts.

1.9 Income

Group income is authorised in the Supply Estimate (such as general administration receipts and income from other departments) and may include income to the Consolidated Fund that HMT has agreed should be retained by the Group and treated as operating income.

Income is stated net of recoverable VAT where applicable.

The Group receives the following income streams and accounts for them as follows:

1.9.1 Revenue from contracts (IFRS 15)

Revenue is recognised once the Group has completed performance obligations. The nature of the obligations differs between contract types.

Levy income

Levy income is collected from construction and engineering sector employers under statute by CITB and ECITB based on an annual assessment period. Payment of the levies does not create additional rights for construction sector employers from the Group.

Since there are no additional rights for employers, the satisfaction of levy performance obligations is judged to occur at a point in time rather than over the levy period. Consequently, levy income is fully recognised immediately upon raising the annual assessments.

If there are doubts about the collectability of levy income due to ageing, past experience, or other known factors, an impairment allowance is recognised.

The Group does not recognise apprenticeship levy income, which is collected and accounted for by HMRC as tax.

Registration fees

Annual registration fees are collected from social care professionals by SWE and higher education providers by OfS. Both Group bodies are authorised to retain such income to offset against their expenditure, with OfS up to an annually approved limit. Amounts received by OfS above their annual limit are passed to the Exchequer.

Unlike levy income, registration fee satisfaction is judged to occur over the registration year. Social care practitioners benefit from registration over time by being able to operate in the sector. HE providers consume the benefit through continued operation as an authorised provider who is able to offer student loans. Therefore, registration fee revenue is deferred and recognised evenly across the year.

If there are doubts about the collectability of registration fees due to ageing, past experience, or other known factors, an impairment allowance is recognised.

Capital contributions

The Group has standardised the specifications for new school buildings. In some cases, the Group agrees with a school's responsible body (such as a local authority, academy trust or foundation body) to exceed these standards. In such cases a capital contribution is then agreed with the responsible body to fund the upgrade.

The Group considers the completion of the additional design specification as indivisible from the overall school construction programme. Therefore, the performance obligation is satisfied continuously over the course of the build phase.

Capital contributions are initially deferred and recognised evenly over the construction phase.

Sales of goods and services

The Group sells goods and services such as tests and training. Performance obligations for these transactions are the completion of training or despatch of goods. There is no significant timing difference between the satisfaction of performance obligations and receipt of income. Revenue recognition is immediate.

Master servicer fees

The Group has retained the servicer function for the portfolios of student loans sold under the previous policy to sell student loans. Although both sold portfolios have separate servicer fee agreements, they are similar in structure.

For both agreements, the Group has identified two separate performance obligations:

- completion of day-to-day servicing of loans, which extends for twelve months beyond each annual servicing period ending on 31 March
- payment of loan repayments to each loan sale counterparty in July of the year following each servicing year ending in March

Management considers the first performance obligation to be satisfied on an ongoing basis, as the customer benefits from the actions as they are completed. Revenue from normal servicing activities is deferred over each two-year cycle. The second obligation is settled at a point in time, when cash is moved, so revenue for these activities is recognised in July when received.

1.9.2 Grant income (IAS 20)

The Group receives grant income from other government bodies, accounted for under IAS 20 through the non-deferral option. The income relates to programmes jointly funded by the Group and other departments or governments.

Grant income is matched to the expenditure profile for each project. Income not matched to expenditure at the end of the financial year is transferred to deferred income. If expenditure exceeds income, an accrual may be made for the balance of the income.

1.9.3 Risk protection arrangement (IFRS 4)

The Group operates an alternative to commercial insurance for the academy sector and local authority-maintained schools. Income is recognised for claim cover years.

1.10 Grant financing and grant-in-aid

Funding to the Department's Agencies and NDPBs through financing and grant-in-aid payments is reported on a cash basis in the period in which payments are made. Grant financing and grant-in-aid as well as any intra-group grants between the consolidated bodies, are eliminated within the Group.

1.11 Policy funding

1.11.1 Policy funding expense

Expenditure to support the Group's policy aims is delivered in two main ways:

- grant funding payable under legislation, such as NFF payments funding local authority-maintained schools and academies
- other funding, such as contractual payments to providers, for example apprenticeship training providers

Recognition of the entitlement to grant or other funding varies according to the individual programme.

Grant funding

Most grants made by the Group are recorded as expenditure in the period in which the allocation or claim is paid, as the grant funding cannot be directly related to activity in a specific period and is not designed to be, in line with legislation. The allocations or claims are deemed the only appropriate and measurable activity that truly creates an entitlement for the recipient.

Accruals accounting is adopted where timing gaps are known between entitlement and payment, or where entitlements can be quantified with a degree of certainty in a given year. In such cases, the grant expense is accrued in SoCNE and shown as a liability in SoFP.

Contractual funding

Accruals accounting is adopted for contractual funding due to the higher degree of certainty of the Group's obligations. Additionally, contractual funding is generally provided based on post-activity claims made by the end user to the agency providing a measure of certainty of outcome.

1.11.2 Policy funding recoveries

Policy funding may result in overfunding or unspent amounts. The Group does not recognise a prepayment if the end user has not spent the funding due to timing or delays. However, if recoveries of overfunding or unspent amounts cross a year end, a receivable will be recognised.

Grants and other funding may generate overfunding or unspent amounts described below. Where recoveries of overfunding or unspent amounts cross a year end a receivable will be recognised to reflect the unrecovered amount. The Group does not recognise a prepayment if the end user has not spent the grant due to timing or delays.

Overfunding

Overfunding can occur when the payment profile, established before the final grant obligation is known, is larger than the final obligation. This results in accelerated funding before the grant obligation is finalised.

The Group seeks to recover overfunding by reprofiling future funding payments to align total payments with the final funding obligation. If overfunding is identified early in the funding period, recovery will occur within the same programme period. If identified later, recovery will occur in the next grant cycle. This approach is suitable for annual funding payments, such as general annual grant funding for academies.

Unspent amounts

Sometimes recipients cannot use time bound funding as intended, leaving funds unspent within the stipulated timescale. If the Group decides to recover these unspent amounts, a claim will be made to the recipient. This approach is more common for single funding payments where there are no future payments to reprofile as described above.

1.12 Leases

1.12.1 Lessee accounting

Right-of-use assets

The Group recognises a right-of-use asset (RoU asset) and lease liability (if a commercial lease) at the commencement date. The RoU asset is initially measured at cost, which includes the initial value of the lease liability adjusted for initial direct costs, prepayments or incentives, and costs related to restoration at the end of the lease. For peppercorn leases of provider development sites, the initial value is based on the depreciated replacement cost of the land element of the leased asset.

RoU assets are subsequently measured at either fair value or current value in existing use, in line with PPE assets. The cost measurement model in IFRS 16 is used as an appropriate proxy for current value in existing use or fair value for most leases, except for those which meet one of the following:

- are longer-term leases with no provisions to update lease payments for market conditions or have a significant period between updates
- have underlying assets whose fair value or current value in existing use is likely to fluctuate significantly due to market price changes

Operational RoU assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the RoU asset or the end of the lease term. The estimated useful lives of RoU assets are determined similarly to those of property, plant, and equipment assets. The Group applies IAS 36 Impairment of Assets to determine if the RoU asset is impaired and to account for any identified impairment loss.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that cannot be readily determined, the rate provided by HMT. The applicable HMT discount rates for leases entered into during the specified calendar years were:

- 2022 and earlier – 0.95%

- 2023 – 3.51%
- 2024 – 4.72%
- 2025 – 4.81%

The lease payment is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments due to a change in the index or rate, a change in the Group's estimates of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension, or termination option.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index rate at the commencement date

When the lease liability is re-measured, a corresponding adjustment is made to the RoU asset or recorded in SoCNE if the carrying amount of the RoU asset is £nil.

1.12.2 Lessor accounting

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease. This classification is based on whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If it does, then the lease is a finance lease, if not, it is an operating lease.

When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. If a head lease is a short-term lease to which the Group applies the exemption above, then the sub-lease is classified as an operating lease.

Where the outbound lease is classified as a finance lease, the parent asset is de-recognised from SoFP as a capital grant-in-kind.

The Group recognises receipts outbound leases classified as operating leases as income on a straight-line basis over the lease term.

1.13 Property, plant and equipment

The minimum level of capitalisation for expenditure on PPE ranges between £500 and £10,000 across the Group. For IT equipment and furniture, all items recorded as capital expenditure are capitalised, and if they fall below the capitalisation threshold, they are grouped together and recorded as bulk assets. The asset value on capitalisation is measured at cost plus all direct costs, such as installation, attributable to bringing them into working condition.

Land and buildings are initially measured at cost and are restated to current value (depreciated replacement cost) using external professional valuations in accordance with the FRoM adaptation of IAS 16 every five years, and in the intervening years using appropriate indices supplied by the Valuation Office. The Group has stated other PPE at existing use

value using appropriate indices published by ONS. Some assets are of short life and low value and have used depreciated historical cost as a proxy for fair value.

The Group measures the value of freehold assets under construction (AuC) at cost plus direct costs directly attributable to bringing the assets into working condition in line with IAS 16. Direct costs include all costs associated with purchasing the land and property and bringing the assets into use, and a fair proportion of the Group's internal costs. Additional funds to complete development are recognised as capital grants-in-kind.

1.14 Education sector assets

One of the Group's purposes is to fund the acquisition of premises or sites for use by education providers. The Group also funds all necessary construction works and associated professional services to bring these premises or sites into use. Development sites, whether freehold (note [1.13](#)) or leasehold (note [1.12](#)), are recognised by the Group as AuC (freehold or leasehold) until the site is complete and leased to a provider or third-party. The post-lease accounting treatment for completed sites follows the lessor policy outlined in note [1.12.2](#).

In some cases, circumstances may prevent the AuC from being opened as a provider, or previously operational sites may be closed and returned to Group control. These assets will be recognised and treated under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (commonly termed 'assets held for sale' (AHfS)). Any difference between carrying value and fair value would be recognised as an in-year impairment and the asset would be presented separately.

1.15 Depreciation

Depreciation is provided at rates calculated to write-off the valuation of owned or leased buildings and other PPE by equal instalments over their estimated useful lives. Land, AuC and investment properties are not depreciated.

Asset lives are in the following ranges:

- property – up to 60 years, or the lease term (whichever is shorter)
- other asset types – 3 to 20 years, or the lease term (whichever is shorter)

1.16 Financial instruments

The Group applies IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IFRS 9. Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

1.16.1 Financial assets

Financial assets include cash and cash equivalents, trade and other receivables and loans. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value, typically the transaction price plus, for financial assets not at FVTPL, directly attributable costs. The Group does not hold derivative financial instruments.

The subsequent measurement of financial assets depends on their classification.

Amortised cost

Financial assets classified as amortised cost include:

- trade and other receivables: which have fixed or determinable payments, do not carry any interest and are not quoted on an active market
- non-student loans: which comprise loans judged to have passed the SPPI test, are not traded on any active market and are expected to be held until maturity
- cash and cash equivalents: which include cash in hand and on demand deposits

If there are restrictions on the Group's ability to access cash, such as being held in escrow with a solicitor pending a property transaction, these restrictions are disclosed separately in the notes to the accounts. However, in accordance with IAS 7 Statement of Cash Flows, the Group continues to present these balances as cash in SoFP and Statement of Cash Flows (SoCF).

The above asset types are subsequently recognised at amortised cost using the effective interest method. Carrying values are based on initial fair value adjusted for interest charges and repayments. Appropriate impairment allowances for estimated irrecoverable amounts are recognised in SoCNE based on expected losses for a particular asset, or group of assets. The impairment allowance is measured as the difference between the asset's carrying amount and the estimated future recoverable amount.

Fair value through profit or loss

Financial assets carried at FVTPL include student loans and investments.

Student loans

Student loans are classified to FVTPL because management considers the loans to fail the solely payments of principal and interest test due to their terms and conditions.

Student loans incur an immediate fair value loss due to the difference between the initial fair value and the transaction price at issue. Such fair value losses are deferred to SoFP since student loans are classified as level 3 per IFRS 13's hierarchy. Deferred balances are then expensed as part of the loans' first year end fair value re-assessment.

More information about the measurement techniques used to determine the fair value of student loans is provided in note [14](#).

Investments

The Group holds quoted investments recognised at fair value, calculated as the closing bid price at the year end. Movements in fair value are recognised in profit and loss.

Additionally, the Group holds a retention note issued by the body that acquired student loans sold in December 2018. The asset is held to fulfil regulatory requirements and cannot be sold over the life of the securitised student loans. In accordance with IFRS 9, the note is

designated as FVTPL due to the underlying pool of financial assets (student loans) being designated as FVTPL.

The above asset types are subsequently measured at fair value, with annual movements in fair value recognised in profit and loss. Fair value movements are recognised as gains or losses in note 8.

1.16.2 Financial liabilities

Financial liabilities are measured at amortised cost and include trade and other payables, and loans. The Group does not have complex derivative financial instruments. Financial guarantees are designated as FVTPL on inception. The Group determines the classification of its financial liabilities at initial recognition.

Trade and other payables: excluding non-contractual accruals, are generally not interest bearing and are stated at their face value on initial recognition. Subsequently, they are measured at amortised cost.

Loan liabilities: the Group holds both interest-bearing and non-interest-bearing loans. These loans are stated at their face value on initial recognition. Subsequently, interest-bearing loans are measured at amortised cost, which includes all direct costs associated with the loans.

Financial guarantees: are initially recognised at fair value on the date the guarantee is given, in accordance with IFRS 9. Subsequent measurement is at the higher of:

- the amount of the equivalent IFRS 9 expected credit loss allowance
- the amount initially recognised less the cumulative effect of income recognised

1.17 Contingent liabilities

Where the time value of money is material, contingent liabilities required to be disclosed under IAS 37 are stated at discounted amounts, with the amount reported to Parliament noted separately. Remote contingent liabilities not required to be disclosed by IAS 37 are disclosed in the Parliamentary Accountability Report and stated at the amounts reported to Parliament.

1.18 Value added tax

Most of the Group's activities are outside the scope of VAT. Generally, output tax does not apply, or where it does, input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of PPE and intangible assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.19 Service concession arrangements

Under a service concession arrangement, a government entity contracts with the private sector to construct, operate and maintain public sector infrastructure, allowing the private sector to deliver services directly or indirectly to the public. However, the government entity retains control, or regulates, the services provided (including access fees) and controls significant residual interest in the infrastructure at the completion of the arrangement.

The Group has adopted IFRIC 12 Service Concession Arrangements (IFRIC 12), as interpreted by the FReM, acting as the grantor to account for the 46 schools the private sector will construct and then operate for the Group under the Private Finance 2 (PF2) scheme over a 25-year period. The transaction was part of the wider Priority Schools Building Programme (PSBP) that addressed condition issues across the school estate. Within these accounts the transaction is referred to as PF2.

The assets constructed under PF2 are not recognised by the Group. According to the Group's asset recognition approach for PSBP assets, the Group does not recognise school assets constructed under PSBP (including PF2). The Group does not judge any economic benefit to flow to the Group from the PSBP assets during and after construction. Instead, the Group recognised the value of the assets during construction as capital grants-in-kind.

Applying IFRIC 12 results in the Group recognising the financing liability arising from constructing the assets. This financing liability is repaid over the term of the service concession arrangement through the unitary charges settled by the Group.

Interest on the financing liability and expenditure on services provided under the service concession arrangement are recognised in SoCNE as they accrue. Unitary charges are apportioned between three elements: an element to pay for services; an element to pay interest on the liability and an element to repay the financing liability.

2. Transfers of function

The Department has completed two transfers of function during the year, one external to the Group and one internal.

2.1 External transfer

On 1 April 2024, responsibility for the supporting families programme transferred from the Ministry of Housing, Communities and Local Government to the Department.

FReM stipulates that cross-departmental machinery of government changes are accounted for as a transfer of function, through the transfer by merger treatment. This accounting treatment requires that the receiving body accounts for the transferred function from the start of the financial year the transfer occurred in, which in this case aligns to the transfer date of 1 April 2024. In addition, comparatives should be restated to include historic activities of the function transferred.

However, the Department judges the transfer to be immaterial to the Group's reporting with no identifiable assets or liabilities transferring to the Department on 1 April 2024. There has no impact of the Group's reporting for this year or last.

2.2 Internal transfer

On 11 September 2024, the Secretary of State announced, through a [written ministerial statement](#)⁶¹, the closure of ESFA on 31 March 2025 which resulted in two transfers of function between ESFA and the Department. On 1 October 2024, the Schools Financial Support and Oversight function transferred between ESFA and the Department. The only significant asset that transferred was an academy sector loan book valued at £15.9 million at transfer. The transfer occurred within the Department & Agencies sub-consolidation reporting level. Therefore, there is no visible effect of the Group's reporting in this ARA.

The rest of ESFA's activities, assets and liabilities transferred on 1 April 2025 which will be accounted for next year. Note 25.2 presents an analysis of the assets and liabilities transferred on 1 April 2025.

In accordance with FReM, 1 October 2024 transfer of function within a departmental group has been accounted for as a transfer by absorption by both the Department and ESFA. Asset values have not been restated to fair value and have been accounted for on a prospective basis from the date of transfer, there has been no restatement of comparatives. ESFA recognised a net expense on transfer of its net assets, whereas the Department recognised a gain on transfer from the transfer. Both of these values were equal and opposite and eliminated on consolidation.

61 <https://questions-statements.parliament.uk/written-statements/detail/2024-09-11/hcws83>

3. Segmental reporting

Information on operating activities, financial results, forecasts and plans is presented to and reviewed by the Leadership Team.

The majority of the lines of operation fall within the same geographical location and regulatory environment. Segmental analysis of the Group's assets and liabilities is not reviewed by management and consequently is not provided here.

Note [3.1](#) presents performance analysed by business segment which reconciles back to note [S1](#); which matches how the Leadership Team manage Group performance. Gross expenditure and income are based on the budgetary framework set out in CBG. Note [3.2](#) provides a reconciliation to the net expenditure for the year presented in SoCNE.

3.1 Segmental analysis of total outturn per SOPS

| | 2024-25 | | | 2023-24 | | |
|-------------------------------------|-------------------|-----------------|-----------------|-------------------|-----------------|-----------------|
| | Gross expenditure | Income | Net expenditure | Gross expenditure | Income | Net expenditure |
| | £m | £m | £m | £m | £m | £m |
| Families Group | 8,423 | – | 8,423 | 5,784 | – | 5,784 |
| Schools Group | 65,395 | (372) | 65,023 | 66,534 | (263) | 66,271 |
| Skills Group | 76,089 | (19,946) | 56,143 | 68,078 | (19,600) | 48,478 |
| Regions Group | 277 | (2) | 275 | 250 | – | 250 |
| Strategy Group | 197 | (9) | 188 | 163 | (11) | 152 |
| Operations and Infrastructure Group | 5,053 | (292) | 4,761 | 1,076 | (161) | 915 |
| Total | 155,434 | (20,621) | 134,813 | 141,885 | (20,035) | 121,850 |

Additional analysis of segmental budgetary performance can be found in [Annex A](#). Details about policy spending by business group by programme are provided in note [6](#).

The increase in Families Group outturn is predominantly due to the expansion of childcare entitlements. The increase in Skills Group outturn is predominantly due to the increase in the student loan fair value loss as shown in note [8](#). The increase in OIG outturn is mainly due to the transfer of responsibility, and so reporting, of mainstream school conditions programmes from Schools Group. Overall, the transfer of the capital programmes from Schools Group has been broadly compensated by increases in overall schools funding, especially the teachers' pension employer contribution grant.

3.2 Reconciliation between operating segments (per outturn) and SoCNE net expenditure

3.2.1 2024-25

| | Net expenditure per segmental analysis | Reconciling items | | Net expenditure per SoCNE |
|--|--|---------------------|-----------------|------------------------------|
| | | Income and gains | Expenditure | |
| | £m | £m | £m | £m |
| Families Group | 8,423 | – | (2) | 8,421 |
| Schools Group | 65,023 | 312 | (298) | 65,037 |
| Skills Group | 56,143 | 4,845 | (35,792) | 25,196 |
| Regions Group | 275 | – | (7) | 268 |
| Strategy Group | 188 | – | (5) | 183 |
| Operations and Infrastructure Group | 4,761 | 136 | (229) | 4,668 |
| Total | 134,813 | 5,293 | (36,333) | 103,773 |

3.2.2 2023-24

| | Net expenditure per segmental analysis | Reconciling items | | Net expenditure per SoCNE |
|--|--|---------------------|-----------------|------------------------------|
| | | Income and gains | Expenditure | |
| | £m | £m | £m | £m |
| Families Group | 5,784 | – | (2) | 5,782 |
| Schools Group | 66,271 | 204 | (379) | 66,096 |
| Skills Group | 48,478 | 4,419 | (35,422) | 17,475 |
| Regions Group | 250 | – | (7) | 243 |
| Strategy Group | 152 | – | (3) | 149 |
| Operations and Infrastructure Group | 915 | 13 | (295) | 633 |
| Total | 121,850 | 4,636 | (36,108) | 90,378 |

3.2.3 Reconciling items

Reconciling items are transactions which are correctly included in budgetary outturn but do not result in SoCNE entries. Transactions are primarily annual movements in non-current assets (loans, PPE, RoU assets and intangible assets).

Schools Group includes (see note [10](#)):

- of the £312 million income and gains, £265 million is education sector assets de-recognised through outbound leases
- of the £298 million expenditure, £241 million is additions of education sector assets

Skills Group includes in relation to student loans (see note [14](#)):

- almost all of the £4.8 billion income and gains reconciling item is student loan repayments
- almost all of the £35.8 billion expenditure reconciling item is £20.7 billion student loan advances and £15.1 billion capitalised loan interest (accounted for as part of the annual fair value movement)

4. Income

4.1 Revenue analysis

| | 2024-25 | | 2023-24 | |
|---|-----------------------|------------|-----------------------|------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| Income from contracts | | | | |
| Levy income | – | 267 | – | 227 |
| Fees and charges | 40 | 85 | 43 | 86 |
| Sale of goods and services | 5 | 66 | 5 | 52 |
| Capital contributions | 39 | 39 | 43 | 43 |
| Other | 3 | 9 | 44 | 50 |
| Grant income | | | | |
| Funds from other government departments | 78 | 79 | 73 | 74 |
| Other income | | | | |
| RPA income | 125 | 125 | 101 | 101 |
| Rental income | 1 | 2 | 1 | 1 |
| Total | 291 | 672 | 310 | 634 |

Funds from other government departments relate mainly to income from Department of Health and Social Care for jointly managed projects.

4.2 Revenue streams

4.2.1 Levy income

Levy income is raised by the Group's training boards from employers in the construction and engineering sectors. Employers' levy charges are assessed by applying the statutory levy rate to employers' annual salary bills. Both levies are used by the training boards to fund training in their specific sectors. Employers who are assessed for either levy do not receive additional rights to training; training is open to all sector employers irrespective of levy charges.

4.2.2 Registration fees

Annual registration fees are raised from social care professionals and higher education providers to allow them to perform their duties in their respective fields. Practitioners are required to register with the Group's regulators (SWE) each year to receive authorisation to practice. Under the Higher Education and Research Act 2017, HE providers are required to register with their regulator (OfS) if they wish to:

- access public grant funding (such as funding to support teaching) or student support funding (such as enabling students at a provider to access student finance)
- apply to the Home Office for a student sponsor licence to recruit international students, or to maintain an existing licence
- apply for degree awarding powers in order to award their own degrees or university title

4.2.3 Sales of goods and services

Revenue arises from the sale of training materials to third parties and the supply of health and safety tests. In both areas the Group assesses the completion of performance obligations to be the supply of either goods or tests (mostly online). Both areas have no significant delay between satisfaction of obligations and recovery of fees. Therefore, income is not deferred but recognised immediately.

4.2.4 Capital contributions

The Group is investing into the education sector estate through its rebuilding programmes for schools and colleges. The Group applies standard design specifications to projects to drive value for money and efficiency. However, responsible bodies are able to amend the standard design specifications at their own cost. Once revised designs have been agreed and costed the Group will raise an invoice to recover the additional funds.

The Group considers that the performance obligation is met during construction of the education sector buildings; the customer consumes the benefit as their asset is constructed. Consequently, income received from responsible bodies is deferred to SoFP and revenue is recognised evenly over the construction period.

4.2.5 Risk protection arrangement fees

Fees received from schools (academies and local authority-maintained schools) through membership of the risk protection arrangement are accounted for through IFRS 4. Fees are recognised evenly over the cover period of September to August.

5. Staff costs

Disclosures relating to staff numbers and costs are detailed within the [Staff report: part A](#).

6. Policy funding

6.1 Summary

| | 2024-25 | | 2023-24 | |
|-------------------------------------|-----------------------|---------------|-----------------------|---------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| Resource spending | | | | |
| Families Group | 8,260 | 8,265 | 5,539 | 5,549 |
| Schools Group | 63,993 | 63,994 | 61,138 | 61,138 |
| Skills Group | 13,389 | 15,008 | 12,140 | 13,713 |
| Regions Group | 144 | 144 | 152 | 152 |
| Strategy Group | 109 | 109 | 77 | 77 |
| Operations and Infrastructure Group | 798 | 798 | 44 | 44 |
| Grant-in-aid | 1,941 | – | 1,969 | – |
| Sub-total | 88,634 | 88,318 | 81,059 | 80,673 |
| Capital spending | | | | |
| Families Group | 58 | 58 | 141 | 141 |
| Schools Group | 967 | 967 | 4,890 | 4,890 |
| Skills Group | 814 | 978 | 653 | 832 |
| Regions Group | 56 | 56 | 37 | 37 |
| Strategy Group | – | – | 1 | 1 |
| Operations and Infrastructure Group | 3,445 | 3,447 | 248 | 251 |
| Sub-total | 5,340 | 5,506 | 5,970 | 6,152 |
| Total | 93,974 | 93,824 | 87,029 | 86,825 |

In the following tables, all programmes of less than £150 million value have been aggregated together as ‘Other spending’ for each operational unit.

During the year responsibility for some programmes moved business groups without any change in spend. Programmes which moved are marked “*” in the tables below, and more information is provided in note [6.3](#).

During the year the teachers’ pension employer contribution grant for both schools and colleges increased sufficiently to be shown on its own line in the following table. We have moved the prior year balances from other spending in both Schools Group and Skills Group sections, and presented them on their own line in the table.

6.2 Resource funding

6.2.1 Values

| | 2024-25 | | 2023-24 | |
|--|-----------------------|--------|-----------------------|--------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| Families Group | | | | |
| Early years childcare entitlements | 6,226 | 6,226 | 3,966 | 3,966 |
| Free meals (direct grants) | 678 | 678 | 663 | 663 |
| Children in care | 373 | 373 | 111 | 111 |
| Life Skills, Disadvantaged and SEND | 206 | 206 | 271 | 271 |
| Children's social care | 153 | 153 | 138 | 138 |
| Other spending | 528 | 528 | 270 | 270 |
| Support costs | 96 | 101 | 120 | 130 |
| Schools Group | | | | |
| National funding formula | 45,657 | 45,657 | 44,622 | 44,622 |
| High needs funding | 9,889 | 9,889 | 9,459 | 9,459 |
| Pupil premium | 2,935 | 2,935 | 2,866 | 2,866 |
| Teacher pay grant | 1,984 | 1,984 | 534 | 534 |
| Teachers' pension employer contribution grant (schools) | 1,219 | 1,219 | 146 | 146 |
| High needs funding (16 to 19) | 701 | 701 | 697 | 697 |
| Primary sport premium | 323 | 323 | 325 | 325 |
| Core funding | 286 | 286 | 807 | 807 |
| Teacher supply | 242 | 242 | 199 | 199 |
| School curriculum | 227 | 227 | 185 | 185 |
| PFI revenue grant* | – | – | 753 | 753 |
| Other spending | 245 | 245 | 275 | 275 |
| Support costs | 285 | 286 | 270 | 270 |
| Skills Group | | | | |
| Core funding (16 to 19) | 7,248 | 7,248 | 6,839 | 6,839 |
| Apprenticeships | 2,711 | 2,720 | 2,460 | 2,460 |
| Teaching grant | 48 | 1,460 | 48 | 1,464 |
| Adult education budget | 1,455 | 1,455 | 1,359 | 1,359 |
| HE student support grants | 722 | 722 | 663 | 663 |
| Teachers' pension employer contribution grant (colleges) | 301 | 301 | 146 | 146 |
| Bursary funding | 222 | 222 | 222 | 222 |
| Construction industry training | – | 186 | – | 148 |
| Other spending | 474 | 478 | 253 | 256 |
| Support costs | 208 | 216 | 150 | 156 |
| Regions Group | | | | |
| Other spending | 134 | 134 | 129 | 129 |
| Support costs | 10 | 10 | 23 | 23 |
| Strategy Group | | | | |
| Other spending | 102 | 102 | 83 | 83 |
| Support costs | 7 | 7 | (6) | (6) |

| | 2024-25 | | 2023-24 | |
|--|-----------------------|---------------|-----------------------|---------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| Operations and Infrastructure Group | | | | |
| PFI revenue grant* | 752 | 752 | – | – |
| Other spending | 10 | 10 | 27 | 27 |
| Support costs | 36 | 36 | 17 | 17 |
| Grant-in-aid | 1,941 | – | 1,969 | – |
| Total | 88,634 | 88,318 | 81,059 | 80,673 |

6.2.2 Significant funding streams

National funding formula

NFF is used to allocate funding to mainstream, state-funded schools. The majority of funding that goes through the schools NFF is ‘pupil-led’. This funding is calculated based on the number of pupils in the school and their characteristics. All schools get a basic amount for each pupil (with different amounts for different ages), and extra funding for pupils with additional needs.

Schools also receive ‘school-led’ funding, based on the characteristics of the school itself. This includes a lump sum for every school, and extra funding for schools with certain characteristics, such as a school that operates across more than one site, or a school that is small and remote.

The school-level allocations are added up to create a total allocation for each local authority. Authorities then set their own local formulae, based on the same factors in the NFF, but with more up-to-date pupil characteristics, to distribute their total allocation between all the schools in their area. Schools receive their funding based on their authority’s formula. This means that while the NFF determines how much money each local authority area receives, it is the authorities’ own formulae that determine how much each of the schools in the area finally receives.

NFF payments are processed slightly differently to the two different school sectors: dedicated schools grant payments directly to local authorities who then distribute funds to their maintained schools, and general annual grant payments directly to academy trusts to support their academies.

High needs funding

This funding supports provision for children and young people with SEND from their early years to age 25.

Pupil premium

Extra funding for state-funded schools and early years providers to help them improve the attainment of their disadvantaged pupils.

Early years childcare entitlements

The significant increase in the early years entitlements spend in 2024-25 reflects the rollout of the new entitlements as follows:

- from April 2024, the 15-hour entitlement for eligible working parents of 2-year-olds
- from September 2024, 15-hour entitlement for eligible working parents of 9-month to 2-year-olds

Local authorities have been funded for these two entitlements streams in 2024-25 as well as the six existing funding streams which form part of the early years block of their overall dedicated schools grant funding. The existing funding streams are:

- 15-hour entitlement for disadvantaged 2-year-olds
- universal 15-hour entitlement for all 3- and 4-year-olds
- additional 15-hour entitlement for eligible working parents of 3- and 4-year-olds
- early years pupil premium
- disability access fund
- maintained nursery school supplementary funding

Core 16 to 19 funding

Funding for the provision of study programmes for young people. Providers can work through a wide range of establishment types including colleges, sixth forms in schools and academies, special schools, special academies, independent training providers, special post-16 institutions and some HE providers and also via local authorities.

Apprenticeships

Funding that supports the delivery of the apprenticeships programme for young people and adults.

Adult education budget

Funding that aims to engage and provide the skills and learning adults need to progress into work or equip them for an apprenticeship or other learning.

Teachers' pension employer contribution grant

In March 2024, we announced an over £1.1 billion of additional funding available in 2024-25 for a range of providers:

- mainstream schools
- high needs settings
- local authorities with centrally employed teachers
- early years
- 16 to 19 education and further education settings

This funding increase is in response to the outcome of the TPS valuation, based upon 2020 data, we published in October 2023. The outcome confirmed a need to increase the employer contribution rate by 5% to 28.6%, from 1 April 2024 to ensure that the scheme continues to meet present and future obligations. HMT committed to provide additional funding to cover the increase for employers centrally funded by the Department for 2024-25.

6.3 Capital funding

During the year responsibility for a number of programmes related to the education estate moved from Schools Group to OIG to streamline delivery. The majority of the movements were in capital programmes, there was one resource programme affected. The change in responsibility, and so reporting, had no impact on the management of the programmes or how the value of the spending has been calculated. To maintain consistency with last year's ARA, the comparatives have not been re-presented. In the following tables, programmes which have moved are marked with “*”.

6.3.1 Values

| | 2024-25 | | 2023-24 | |
|--|-----------------------|--------------|-----------------------|--------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| Families Group | | | | |
| Children in care | 5 | 5 | 100 | 100 |
| Other spending | 53 | 53 | 41 | 41 |
| Schools Group | | | | |
| School condition allocations* | – | – | 1,795 | 1,795 |
| High needs funding* | – | – | 954 | 954 |
| Free schools | 615 | 615 | 910 | 910 |
| Basic needs schools capital* | – | – | 746 | 746 |
| School capital improvement* | 288 | 288 | 395 | 395 |
| Other spending | 64 | 64 | 90 | 90 |
| Skills Group | | | | |
| College condition improvement | 541 | 541 | 320 | 320 |
| Other spending | 273 | 437 | 333 | 512 |
| Regions Group | | | | |
| Other spending | 56 | 56 | 37 | 37 |
| Strategy Group | | | | |
| Other spending | – | – | 1 | 1 |
| Operations and Infrastructure Group | | | | |
| School condition allocations* | 1,794 | 1,794 | – | – |
| School capital improvement* | 948 | 950 | 173 | 176 |
| High needs funding* | 305 | 305 | – | – |
| Basic needs schools capital* | 195 | 195 | – | – |
| RAAC | 156 | 156 | 55 | 55 |
| Other spending | 47 | 47 | 20 | 20 |
| Total | 5,340 | 5,506 | 5,970 | 6,152 |

6.3.2 Significant funding streams

School condition allocations

Spending covers a group of separate allocations all aimed at improving the condition of the school estate across different school sectors. Schools and those responsible for school buildings are eligible for specific funding streams depending on their size and type. Local authorities, larger multi-academy trusts and larger voluntary aided school bodies receive funding directly to invest across their schools. Smaller academy trusts, voluntary aided bodies and sixth-form colleges are instead able to bid for condition improvement funding.

School condition funding programmes include:

- condition improvement fund, an annual bidding round for eligible academies, sixth-form colleges and voluntary aided schools to apply for capital funding for specific projects
- school condition allocations, funds paid to eligible bodies responsible for maintaining school buildings to spend on projects that meet their own priorities
- devolved formula capital, allocated for individual schools and other eligible institutions to spend on capital projects that meet their own priorities

High needs funding

Supports provision for children and young people with SEND from their early years to age 25, enabling both providers to meet their statutory duties under the Children and Families Act 2014.

Free schools

Grants include both the value of the sites leased to academy trusts and spending on development sites which are not recognised as Group assets. Programme spending for sites recognised as education sector assets is recognised as asset additions and is not expensed.

Basic needs schools capital

This supports the statutory duty to provide sufficient school places that sits with local authorities. We provide authorities with funding for every place that is needed in their area, based on their own data on pupil number forecasts.

College condition improvement

The Group provides funds to ensure college condition improvement through:

- the further education capital transformation programme to upgrade and transform, and significantly reduce the proportion of the college estate not fit for purpose or in unsatisfactory condition
- the T Levels capital fund to support eligible further education providers offering T Levels

Skills Group other spending

Includes the T Levels capital fund and Institutes of Technology (collaborations between FE providers, HE providers and employers) to deliver higher technical education that gives employers the skilled workforce they need.

7. Operating expenditure

7.1 Purchase of goods and services

| | 2024-25 | | 2023-24 | |
|---------------------------------|-----------------------|------------|-----------------------|------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| IT and telecommunications costs | 93 | 224 | 119 | 231 |
| Advertising and publicity | 51 | 56 | 48 | 51 |
| Other professional fees | 26 | 49 | 28 | 60 |
| Research and development costs | 28 | 29 | 27 | 29 |
| Release of accrued rent | – | – | (17) | (17) |
| Other expenditure | 74 | 116 | 70 | 112 |
| Total | 272 | 474 | 275 | 466 |

7.2 Depreciation, amortisation and other non-cash charges

| | 2024-25 | | 2023-24 | |
|--------------------------|-----------------------|------------|-----------------------|------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| Depreciation | 28 | 37 | 29 | 40 |
| Amortisation | 74 | 95 | 28 | 54 |
| Impairment | 16 | 19 | 2 | 3 |
| Provisions: net movement | 160 | 190 | 155 | 182 |
| Other expenditure | 6 | 6 | 17 | 17 |
| Total | 284 | 347 | 231 | 296 |

Included in other expenditure are audit fees, presented in more detail as follows.

7.3 Audit fees

| | 2024-25 | | 2023-24 | |
|--------------------|-----------------------|-------|-----------------------|-------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £000 | £000 | £000 | £000 |
| Group audit | | | | |
| Non-cash | 1,296 | 1,296 | 1,195 | 1,195 |
| Cash – NAO | – | 1,096 | – | 885 |
| Cash – non-NAO | – | 41 | – | 40 |
| SARA audit | | | | |
| Cash – NAO | 575 | 575 | 550 | 550 |

Non-cash audit fees for the Department and Agencies are included in note [7.2](#) as other expenditure. Non-cash audit fees are charged by NAO but are not paid. The audit fees are recognised as an expense but also as a credit to reserves in both Statements of Changes in Taxpayers' Equity. Cash audit fees for NDPB audit costs are included within other professional fees in note [7.1](#).

The Department is responsible for preparing SARA which is then audited by NAO. As SARA is an amalgamation of operational academy trusts it does not bear central costs itself. Consequently, NAO's fee for auditing SARA is recognised in this ARA not SARA.

8. Other losses or (gains)

| | 2024-25 | | 2023-24 | |
|--|-----------------------|--------------|-----------------------|--------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| Valuation movements of assets held at FVTPL: | | | | |
| student loans | 8,638 | 8,638 | 2,469 | 2,469 |
| investments | (18) | (18) | (22) | (22) |
| On de-recognition: | | | | |
| write-off of student loans | 310 | 310 | 121 | 121 |
| write-off of non-student loans | 4 | 4 | 6 | 6 |
| Losses on student loans | 7 | 7 | 8 | 8 |
| Lease modifications | 4 | 4 | – | – |
| Total | 8,945 | 8,945 | 2,582 | 2,582 |

Student loans and investments (including the retention note) presented above are required to be classified as FVTPL by IFRS 9, none were unilaterally designated at initial recognition.

Annual valuation movements presented in this note relate to gains and losses recognised when remeasuring the fair value of financial assets classified as FVTPL. The student loan annual fair value movements are the net balances between:

- £23.7 billion of unrealised losses (prior year: £17.9 billion unrealised losses)
- £15.1 billion of capitalised interest gains (prior year: £15.1 billion gains)

9. Operational assets

The Group has organised its owned PPE and leased RoU asset disclosures based on the Group's usage rather than by the relevant financial reporting standard. This split between operational and education sector assets reflects the differing risk exposures presented by the different activities.

This note presents information concerning assets we use to support our operational activities, primarily office blocks. Note 10 presents information about our activities supporting educational provider operations. Both notes contain both owned (under IAS 16) and leased (under IFRS 16) assets.

The operational property asset class includes freehold and leasehold sites, as well as leasehold improvements on leased sites. AuC primarily consists of property-based assets such as property improvements midway through completion for our office estate. Other PPE represents all other asset classes (such as motor vehicles, plant and machinery, and fixtures and fittings) not included in the other two classes presented.

The Group operates from multiple sites, all but three of which are leased. The Group's surveyors revalue land and buildings in accordance with the Royal Institute of Chartered Surveyors' appraisal and valuation manual. The owned properties, Bircham Newton, Erith, and Inchinnan, were most recently valued on 31 March 2025 by Montagu Evans LLP.

9.1 2025

9.1.1 Valuation movements

| | Operational property | AuC | Other assets | Total |
|--|----------------------|-----------|--------------|--------------|
| | £m | £m | £m | £m |
| Cost or valuation | | | | |
| At 1 April 2024 | 270 | 72 | 85 | 427 |
| Additions | 17 | 23 | 12 | 52 |
| Disposals | (23) | – | (5) | (28) |
| Revaluations | 2 | – | 1 | 3 |
| Reclassifications | 63 | (67) | 4 | – |
| Lease modifications | (16) | – | – | (16) |
| At 31 March 2025 | 313 | 28 | 97 | 438 |
| Depreciation | | | | |
| At 1 April 2024 | (46) | – | (64) | (110) |
| Charged in year | (27) | – | (10) | (37) |
| Eliminated on disposal | 11 | – | 5 | 16 |
| Revaluations | (5) | – | (1) | (6) |
| Lease modifications | 3 | – | – | 3 |
| At 31 March 2025 | (64) | – | (70) | (134) |
| Carrying value at 31 March 2025 | 249 | 28 | 27 | 304 |

9.1.2 Carrying values by holding route and reporting body

| | Operational property | AuC | Other assets | Total |
|--|----------------------|-----------|--------------|------------|
| | £m | £m | £m | £m |
| Analysis of carrying value by control route | | | | |
| Owned | 71 | 28 | 27 | 126 |
| Leased | 178 | – | – | 178 |
| Total | 249 | 28 | 27 | 304 |
| Analysis of carrying value by Group body | | | | |
| Department | 192 | 28 | 13 | 233 |
| Agencies | – | – | – | – |
| NDPBs | 57 | – | 14 | 71 |
| Total | 249 | 28 | 27 | 304 |

9.2 2024

9.2.1 Valuation movements

| | Operational property | AuC | Other assets | Total |
|--|----------------------|-----------|--------------|--------------|
| | £m | £m | £m | £m |
| Cost or valuation | | | | |
| At 1 April 2023 | 226 | 30 | 79 | 335 |
| Additions | 65 | 48 | 8 | 121 |
| Disposals | (8) | – | (4) | (12) |
| Revaluations | 1 | – | 2 | 3 |
| Reclassifications | 6 | (6) | – | – |
| Lease modifications | (20) | – | – | (20) |
| At 31 March 2024 | 270 | 72 | 85 | 427 |
| Depreciation | | | | |
| At 1 April 2023 | (54) | – | (57) | (111) |
| Charged in year | (30) | – | (10) | (40) |
| Eliminated on disposal | 5 | – | 4 | 9 |
| Revaluations | – | – | (1) | (1) |
| Lease modifications | 33 | – | – | 33 |
| At 31 March 2024 | (46) | – | (64) | (110) |
| Carrying value at 31 March 2024 | 224 | 72 | 21 | 317 |

9.2.2 Carrying values by holding route and reporting body

| | Operational property | AuC | Other assets | Total |
|--|----------------------|-----------|--------------|------------|
| | £m | £m | £m | £m |
| Analysis of carrying value by control route | | | | |
| Owned | 33 | 72 | 21 | 126 |
| Leased | 191 | – | – | 191 |
| Total | 224 | 72 | 21 | 317 |
| Analysis of carrying value by Group body | | | | |
| Department | 172 | 70 | 9 | 251 |
| Agencies | – | – | – | – |
| NDPBs | 52 | 2 | 12 | 66 |
| Total | 224 | 72 | 21 | 317 |

9.3 Leasing activities

9.3.1 2025

| | Operational property | AuC | Other assets | Total |
|---|----------------------|----------|--------------|------------|
| | Number | Number | Number | Number |
| Leases for which IFRS 16 was adopted in full | | | | |
| Opening volume at 1 April 2024 | 29 | – | 76 | 105 |
| New leases entered into | 6 | – | 59 | 65 |
| Existing leases expired | (10) | – | (16) | (26) |
| Closing volume at 31 March 2025 | 25 | – | 119 | 144 |
| Leases to which either the short-term or low value exemption was applied | | | | |
| Opening volume at 1 April 2024 | 1 | – | 7 | 8 |
| New leases entered into | – | – | 1 | 1 |
| Existing leases expired | (1) | – | (6) | (7) |
| Closing volume at 31 March 2025 | – | – | 2 | 2 |
| Total volume of leases at 31 March 2025 | 25 | – | 121 | 146 |
| Analysis of volumes by Group body | | | | |
| Department | 14 | – | – | 14 |
| Agencies | – | – | – | – |
| NDPBs | 11 | – | 121 | 132 |
| Total | 25 | – | 121 | 146 |

9.3.2 2024

| | Operational property | AuC | Other assets | Total |
|---|----------------------|----------|--------------|------------|
| | Number | Number | Number | Number |
| Leases for which IFRS 16 was adopted in full | | | | |
| Opening volume at 1 April 2023 | 37 | – | 98 | 135 |
| New leases entered into | 4 | – | – | 4 |
| Existing leases expired | (8) | – | (19) | (27) |
| Existing leases surrendered | (4) | – | (3) | (7) |
| Closing volume at 31 March 2024 | 29 | – | 76 | 105 |
| Leases to which either the short-term or low value exemption was applied | | | | |
| Opening volume at 1 April 2023 | 9 | – | 89 | 98 |
| New leases entered into | – | – | – | – |
| Existing leases expired | (8) | – | (82) | (90) |
| Existing leases surrendered | – | – | – | – |
| Closing volume at 31 March 2024 | 1 | – | 7 | 8 |
| Total volume of leases at 31 March 2024 | 30 | – | 83 | 113 |
| Analysis of volumes by Group body | | | | |
| Department | 20 | – | – | 20 |
| Agencies | – | – | – | – |
| NDPBs | 10 | – | 83 | 93 |
| Total | 30 | – | 83 | 113 |

The majority of the other assets leases are for motor vehicles.

10. Education sector assets

10.1 Background

The Department supports the academy and FE sectors in identifying and developing sites for occupation by academy trusts or colleges to deliver educational provision. The Department acquires these sites, develops them and then leases them to providers on generally 125-year peppercorn leases. The Department has acquired sites through both freehold and leasehold tenure, with some leasehold sites held on long (>99 years) and very long (>150 years) leases. As a result, the Department acts as both a lessee (for inbound leases and asset creation) and lessor (for outbound leases and asset de-recognition).

All education sector assets are held and reported by the Department.

A small volume of shorter-term commercial leases has been entered into to support provider operations. These leases, which typically last from 5 to 25 years, are separate from leases included in the short-term exemption. They provide temporary accommodation to operational providers whilst their permanent site is developed or for sitting tenants on mixed-use sites.

The majority of outbound leases have been assessed as being finance leases since the long-term, peppercorn nature of the lease transfers significantly all the risks and rewards of

ownership of the leased assets to the lessees (mainly academy trusts). This approach mirrors the lease recognition approach the Department has adopted for preparing SARA with the lessee position of the academy trusts. The classification of the outbound lease as a finance lease results in the de-recognition of the previously recognised parent asset whether owned or leased.

In some instances where the initial parent asset acquisition was on a very long lease (>250 years) the 125-year outbound lease does not transfer the majority of risks and rewards of ownership of the leased parent asset due to the difference in lease durations. In such situations the parent asset is retained and reclassified to a leasehold investment property.

10.1.1 Assets under construction

Sites are initially recognised at cost as AuC (both freehold or leasehold) until they are completed and leased to the education provider for use through an outbound lease. The classification of the outbound lease informs the subsequent accounting treatment for the parent AuC.

When the outbound lease is classified as a finance lease the AuC parent asset is de-recognised as a capital grant-in-kind. Where the outbound lease is judged to be an operating lease, the asset is reclassified to investment property but remains within the educational sector asset caption.

In the event of an education provider failure, we may step in to acquire the site to maintain education provision or to allow for a repurpose in the education sectors we support. Newly recognised assets are classified as AuC since they are non-operational.

10.1.2 Investment properties

Investment properties can include both education providers and third-party accommodation.

On a limited number of occasions, to secure suitable premises where availability is limited, the Department has acquired mixed-use sites which include both an education provision site and third-party accommodation. Where appropriate, the Department has put in place a managed disposal process to oversee the sale or lease of the third-party accommodation to secure value for the taxpayer. However, in some instances third-party accommodation is not suitable for disposal.

Where the outbound lease to the third-party is judged to be an operating lease the parent asset is reclassified from AuC to the investment property asset class. Investment property assets are not depreciated but are fair valued each year. Where the outbound lease is judged to be a finance lease the parent asset is de-recognised.

10.2 2025

10.2.1 Values

| | Freehold | | Leasehold | | Total |
|---|------------|---------------------|------------|---------------------|------------|
| | AuC | Investment property | AuC | Investment property | |
| | £m | £m | £m | £m | £m |
| Cost or valuation | | | | | |
| At 1 April 2024 | 367 | 101 | 252 | 100 | 820 |
| Additions | 16 | – | 11 | 32 | 59 |
| In-year development | 156 | – | 67 | – | 223 |
| Disposals | – | (5) | (22) | (31) | (58) |
| De-recognition through leases to providers or third parties | (177) | – | (88) | – | (265) |
| Reclassifications across asset classes | (16) | 5 | 1 | 10 | – |
| Reclassifications to AHFS | – | (30) | – | – | (30) |
| Lease modifications | – | – | (2) | (8) | (10) |
| At 31 March 2025 | 346 | 71 | 219 | 103 | 739 |
| Carrying value at 31 March 2025 | 346 | 71 | 219 | 103 | 739 |

No depreciation is charged on AuC and investment properties. All education sector assets are held by the Department.



10.2.2 Volumes

| | Freehold | | Leasehold | | Total |
|--|------------|---------------------|-----------|---------------------|------------|
| | AuC | Investment property | AuC | Investment property | |
| | Number | Number | Number | Number | |
| Assets recognised at 1 April 2024 | 37 | 23 | 23 | 30 | 113 |
| New assets recognised in year | 20 | 3 | 6 | 3 | 32 |
| Assets re-recognised in year | 2 | 1 | – | – | 3 |
| Reclassification across asset classes | (2) | 2 | (3) | 3 | – |
| Reclassified to AHfS | (2) | (2) | – | – | (4) |
| Assets de-recognised in year | (28) | – | (7) | (1) | (36) |
| Assets disposed of | (3) | (4) | (3) | (2) | (12) |
| Assets recognised at 31 March 2025 | 24 | 23 | 16 | 33 | 96 |
| Add back: | | | | | |
| assets de-recognised in year | 28 | – | 7 | 1 | 36 |
| assets de-recognised in prior years | 127 | 2 | 38 | – | 167 |
| Total assets held at 31 March 2025 | 179 | 25 | 61 | 34 | 299 |
| Assets disposed of whilst de-recognised | 6 | 1 | 4 | – | 11 |

The table above, and the equivalent table for last year, present an analysis of our education sector assets across the four named asset classes. The analysis reconciles the opening number of assets recognised on our SoFP with the closing volume based on our acquisition and outbound leasing activities. The volume of assets recognised at a given year end drives the asset values presented in the associated 'Values' tables and SoFP.

As well as analysing the in-year movement in asset volumes, the table also calculates the Group's total asset base in the education sector by adding back the number of assets held by the Group but de-recognised from the SoFP. In accordance with IFRS 16, assets (both freehold and leasehold) are de-recognised from SoFP when we have completed an outbound lease with a third party, and the lease is judged to be a finance lease.

A small number of de-recognised assets are disposed of whilst de-recognised, ie are not reclassified to assets held for sale prior to the sale, because the Group does not regain control over the asset prior to the sale to trigger re-recognition as an asset held for sale.

10.3 2024

10.3.1 Values

| | Freehold | | Leasehold | | Total |
|---|------------|---------------------|------------|---------------------|------------|
| | AuC | Investment property | AuC | Investment property | |
| | £m | £m | £m | £m | |
| Cost or valuation | | | | | |
| At 1 April 2023 | 398 | 62 | 115 | 36 | 611 |
| Additions | – | – | 46 | – | 46 |
| In-year development | 196 | 5 | 121 | 1 | 323 |
| Disposals | (6) | – | (2) | – | (8) |
| De-recognition through leases to providers or third parties | (135) | – | (7) | – | (142) |
| Reclassifications across asset classes | (86) | 34 | (11) | 63 | – |
| Reclassifications to AHfS | – | – | (14) | – | (14) |
| Lease modifications | – | – | 4 | – | 4 |
| At 31 March 2024 | 367 | 101 | 252 | 100 | 820 |
| Carrying value at 31 March 2024 | 367 | 101 | 252 | 100 | 820 |

No depreciation is charged on AuC and investment properties. All education sector assets are held by the Department.

10.3.2 Volumes

| | Freehold | | Leasehold | | Total |
|--|------------|---------------------|-----------|---------------------|------------|
| | AuC | Investment property | AuC | Investment property | |
| | Number | Number | Number | Number | |
| Assets recognised at 1 April 2023 | 42 | 23 | 27 | 23 | 115 |
| New assets recognised in year | 11 | – | 6 | 1 | 18 |
| Reclassification across asset classes | (4) | 4 | (6) | 6 | – |
| Reclassified to AHfS | (2) | (1) | (2) | – | (5) |
| Assets de-recognised in year | (10) | (3) | (1) | – | (14) |
| Assets disposed of | – | – | (1) | – | (1) |
| Assets recognised at 31 March 2024 | 37 | 23 | 23 | 30 | 113 |
| Add back: | | | | | |
| assets de-recognised in year | 10 | 3 | 1 | – | 14 |
| assets de-recognised in prior year | 15 | – | 7 | – | 22 |
| assets de-recognised pre-adoption of IFRS 16 | 111 | – | 34 | – | 145 |
| Total assets held at 31 March 2024 | 173 | 26 | 65 | 30 | 294 |

10.4 Leasing activities

10.4.1 Volume of leases

| | 2025 | | 2024 | |
|----------------------------------|---------------------|----------------------|---------------------|----------------------|
| | Lessee (inbound) | Lessor (outbound) | Lessee (inbound) | Lessor (outbound) |
| | Number | Number | Number | Number |
| Leases active at 1 April | 87 | 262 | 82 | 248 |
| New leases entered into in year | 6 | 49 | 6 | 26 |
| Expired in year | – | (6) | – | (8) |
| Surrendered in year | (6) | (6) | (1) | (4) |
| Leases active at 31 March | 87 | 299 | 87 | 262 |

The table presents the volume of the Department's leasing activities across both years to support educational sector provision.

10.4.2 Analysis of lessor positions

2025

| | Finance leases | | Operating leases | | Total |
|--------------------------------|----------------|-------------------|------------------|-------------------|------------|
| | Provider sites | Third-party sites | Provider sites | Third-party sites | |
| | Number | Number | Number | Number | |
| Active at 1 April 2024 | 154 | 51 | 25 | 32 | 262 |
| Reclassified in year | (1) | 1 | – | – | – |
| New leases in year | 28 | 8 | 6 | 7 | 49 |
| Expired in year | (3) | – | (2) | (1) | (6) |
| Surrendered in year | (4) | (1) | – | (1) | (6) |
| Active at 31 March 2025 | 174 | 59 | 29 | 37 | 299 |
| Analysed by tenure | | | | | |
| Freehold parent asset | 131 | 48 | 9 | 21 | 209 |
| Leasehold parent asset | 37 | 11 | 20 | 16 | 84 |
| Mixed tenure parent asset | 6 | – | – | – | 6 |
| Total | 174 | 59 | 29 | 37 | 299 |

2024

| | Finance leases | | Operating leases | | Total |
|--------------------------------|----------------|-------------------|------------------|-------------------|------------|
| | Provider sites | Third-party sites | Provider sites | Third-party sites | |
| | Number | Number | Number | Number | |
| Active at 1 April 2023 | 144 | 50 | 19 | 35 | 248 |
| New leases in year | 11 | 3 | 9 | 3 | 26 |
| Expired in year | – | (1) | (2) | (5) | (8) |
| Surrendered in year | (1) | (1) | (1) | (1) | (4) |
| Active at 31 March 2024 | 154 | 51 | 25 | 32 | 262 |
| Analysed by tenure | | | | | |
| Freehold parent asset | 117 | 41 | 7 | 18 | 183 |
| Leasehold parent asset | 31 | 10 | 17 | 14 | 72 |
| Mixed tenure parent asset | 6 | – | 1 | – | 7 |
| Total | 154 | 51 | 25 | 32 | 262 |

11. Financial instruments

11.1 Financial assets

| | Note | 2025 | | 2024 | |
|--|--------------------|-----------------------|----------------|-----------------------|----------------|
| | | Department & Agencies | Group | Department & Agencies | Group |
| | | £m | £m | £m | £m |
| Fair value through profit or loss | | | | | |
| Student loans | 14 | 157,866 | 157,866 | 150,982 | 150,982 |
| Investments | | 76 | 76 | 68 | 68 |
| Amortised cost | | | | | |
| Other loans | 15 | 375 | 825 | 291 | 765 |
| Receivables | 16 | 672 | 698 | 391 | 411 |
| Cash at bank | 17 | 502 | 636 | 892 | 1,056 |
| Total | | 159,491 | 160,101 | 152,624 | 153,282 |

11.2 Financial liabilities

| | Note | 2025 | | 2024 | |
|-------------------------------|---|-----------------------|--------------|-----------------------|--------------|
| | | Department & Agencies | Group | Department & Agencies | Group |
| | | £m | £m | £m | £m |
| Amortised cost | | | | | |
| Payables | 18 and 19 | 1,627 | 1,702 | 1,690 | 1,742 |
| Lease liabilities | 20 | 166 | 197 | 197 | 229 |
| PF2 imputed lease liabilities | 18 and 19 | 551 | 551 | 567 | 567 |
| PF2 loan liabilities | 18 and 19 | – | 455 | – | 478 |
| Financial guarantees | | 12 | 12 | 39 | 39 |
| Total | | 2,356 | 2,917 | 2,493 | 3,055 |

11.3 Fair value

| | 2025 | | 2024 | |
|--|-----------------------|----------------|-----------------------|----------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| Level 1 (quoted market price) | | | | |
| None | – | – | – | – |
| Level 2 (other observable inputs) | | | | |
| None | – | – | – | – |
| Level 3 (non-observable inputs) | | | | |
| Student loans | 157,866 | 157,866 | 150,982 | 150,982 |
| Investments | 76 | 76 | 68 | 68 |
| Total | 157,942 | 157,942 | 151,050 | 151,050 |

To provide an indication about the nature of the inputs used in determining fair value, financial instruments are classified into three levels as prescribed by accounting standards.

Valuation techniques with significant non-observable inputs (level 3): if one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for student loans. The retention note is also classified to level 3 since its underlying pool of securities (student loans) is classified as level 3.

There were no transfers between the different levels of the fair value hierarchy.

12. Financial risk

12.1 Financial risk management

As the cash requirements of the Group are met through the Estimate process, the Group is not exposed to the degree of financial risk faced by similar sized business entities.

Consequently, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body.

The Group has limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Group in undertaking its activities.

The risks associated with the Department's PFI transaction, PF2, are described in note [13](#).

12.1.1 Credit risk

Credit risk is the risk that a service user or counterparty to a financial instrument will fail to pay amounts due causing financial loss to the Group and arises principally from cash and outstanding debt. The Group's exposure to credit risk can be split into two broad sources: arising from loans originated by the Group (predominantly student loans) and the funding of education providers.

The Group's student loans retain credit risk since, as per government policy, no mitigating checks on potential borrowers are performed prior to loan origination. More information pertaining to student loan risk profile is provided in note [14.4](#).

The Group has a credit (receivables) policy for education providers that ensures consistent processes are in place throughout the Group to measure and control credit risk. Commercial and charitable education providers for the Group are subjected to quality and financial status reviews to mitigate the risk of non-payment of debts as a result of insolvency.

12.1.2 Liquidity risk

The Group's net revenue resource and capital requirements are financed by resources voted annually by Parliament. See note [19.2](#) for a maturity analysis.

In addition, the majority of the Group's education sector leases are peppercorn leases with no liquidity exposure. Operational asset leases are covered by Supply funding.

Consequently, the Group is not exposed to significant residual liquidity risk.

12.1.3 Interest rate risk

The Group's financial instruments carry nil, variable or fixed rates of interest.

The interest rate applicable for student loans depends on macroeconomic conditions and will vary across a loan's lifespan. Plan 3 and Plan 5 interest rates applied for any academic year are generally based on the RPI of the previous March. The Plan 1 interest rate is capped at the lower of RPI and the Bank of England base rate plus 1%. The Plan 2 interest rate varies from RPI to RPI plus 3%, depending on income.

The amount of Plan 1 interest repayable is therefore subject to fluctuations in the base rate and RPI. The probability of the Department recovering the face value of loans issued is increased when the Bank of England base rate is low and the rate of inflation is comparatively high, because the base rate cap comes into operation for these loans. The impact of the interest rate risk for student loans issued under the Plan 1 scheme is factored into the carrying value as the student loan repayment model calculates the impact of interest rate on expected future cash flows. There is inherent risk in forecasting the amount of interest payable and if England experiences base rates that are lower than RPI the future cash flows will be impaired further. Similarly, the amount of Plan 2 interest repayable is sensitive to earnings forecasts and the inherent risk is baked into the carrying value modelling. Additional information about student loans is provided in note [14](#) and [Annex C](#).

Consequently, the Department does not consider the Group is exposed to significant residual interest rate risk.

12.1.4 Market risk

Investments

The Group is exposed to market risk through its small investment portfolio held by its two industry training boards. The majority of the Group's investment portfolio comprises investment funds or unit trusts managed by professional money managers.

The Department considers that the use of third-party professional managers mitigates against significant residual market risk.

Student loans

The other main risks resulting from a downward movement in the economy relate to the potential increase in borrowers' unemployment impacting on their ability to repay student loans. Student loans are also impacted due to the potential resultant negative impact on graduate earnings growth, which lengthens the period before loans are in repayment and extends the repayment period. This may impact the carrying value in the accounts. It can also lead to an increase in write-offs as it increases the likelihood that some graduates may not repay their loans in full by the end of the loan period. Quantified sensitivity analysis disclosures are given in note [14.4](#).

13. PF2 transaction

13.1 Transaction summary

The Group has entered into agreements for five regional batches of schools with different consortia to build school buildings and maintain them for 25 years. These schemes are PFI arrangements, with the initial construction financing for each of the batches raised by Aggregator. To complete the transaction, the Group both took out and issued loans to allow funds to flow to the consortia building the schools. The Department will then repay the financing through unitary charge payments to the consortia over the operational life of the transactions.

In summary, the PF2 transactions are:

- external investor funding was raised by Aggregator (loan liabilities of the Group)
- onward loans are made by Aggregator to each of the five regional consortia (loan assets of the Group)
- the consortia undertook their school building construction projects, with assets controlled by the future school's responsible bodies
- adopting the Group's asset recognition accounting policy, the school assets were not recognised by the Group, they are recognised by the responsible body that operates each site as a school
- an imputed lease liability was recognised in respect of future unitary charges payable to the consortia to cover the construction value of the schools
- the unitary charges paid by the Department, for the use of the schools, are used by the consortia to repay their loans from the Aggregator, which in turn uses the funds to settle its loan liabilities with the external investors

13.2 Finance risks

The PF2 transaction is structured so that unitary charge fees input into the 'bottom' of the structure flow up through the Aggregator's onward loans to repay the loans from the external investors. The terms of the two sets of loans have been designed to work with the expected

lifetime unitary charges so that they provide sufficient funds to repay both sets of loans, leaving minimal funds left in the Aggregator at the end of the transaction's 25-year lifespan.

Credit risk

All funds available to repay both sets of loans are originally sourced from the Department's unitary charge payments. In addition, the Aggregator benefits from a security package including charges over project cashflows. Consequently, we do not believe we are exposed to significant residual credit risk.

Liquidity risk

Both sets of loans reported by the Group are designed to mirror each other with the Group's loan asset designed to recover sufficient funds to service the loan liabilities. As such we do not consider the Group is exposed to significant residual liquidity risk.

Interest rate risk

The Group's PF2 loan liabilities have fixed interest rates set as part of the wider PF2 launch negotiations. Rates were set to be supported from the unitary charges through the loan asset interest rates to pass adequate funds up to the Aggregator to repay the loan liabilities. Consequently, we do not consider we are exposed to significant interest rate risk.

Market risk

None of the PF2 financial instruments are listed. If consortia PFI contractors, or one of its sub-contractors, were to fail there are mechanisms available to the Aggregator to replace the failed entity to maintain that consortia's activities. Consequently, we do not consider we have significant residual market risk

14. Student loans

Loans for students in higher education and further education are originated and recognised by the Group. Student loans can be split into different repayment plans depending upon which education sector the borrowers are members of and when the loans were taken out. Depending on circumstances it is possible for borrowers to have loans across different plans. The plans are as follows:

- Plan 1 loans – loans taken out for undergraduate courses that started before 1 September 2012
- Plan 2 loans – loans taken out for new undergraduate courses that started on or after 1 September 2012 until 31 August 2023, including advanced learner loans
- Plan 3 loans – loans for postgraduate master's courses starting on or after 1 August 2016 and postgraduate doctoral courses starting on or after 1 August 2018
- Plan 5 loans – loans taken out for new undergraduate courses that started on or after 1 August 2023, including advanced learner loans

Plan 2 will continue to be a live plan until existing borrowers who started their undergraduate courses on Plan 2 finish their courses.

Plan 4 loans are issued solely by Student Awards Agency Scotland so do not form part of the Group's activities.

Features of student loans, such as repayment thresholds and interest rates can be found [online](#).⁶² [Annex C](#) presents background information about student loans and extends the following disclosures across the sub-portfolios.

Postgraduate (Plan 3) student loans are valued via a separate modelling pipeline compared to undergraduate student loans (Plans 1, 2 and 5). This is because postgraduate data compatible with the newer pipeline used for undergraduate student loans is not yet available.

14.1 Values

| | 2025 | | 2024 | |
|------------------------------|----------------|----------------|----------------|----------------|
| | Carrying value | Face value | Carrying value | Face value |
| | £m | £m | £m | £m |
| Balance at 1 April | 150,982 | 234,048 | 137,804 | 203,263 |
| New loans issued | 20,662 | 20,662 | 20,174 | 20,174 |
| Interest charged | – | 15,065 | – | 15,138 |
| Repayments | (4,830) | (4,830) | (4,406) | (4,406) |
| Write-offs | (310) | (310) | (121) | (121) |
| Fair value gain or (loss) | (8,638) | – | (2,469) | – |
| Balance at 31 March | 157,866 | 264,635 | 150,982 | 234,048 |
| Analysed across plans | | | | |
| Plan 1 | 11,557 | 27,830 | 13,164 | 28,054 |
| Plan 2 | 128,886 | 215,810 | 127,791 | 196,438 |
| Plan 3 | 6,147 | 6,612 | 6,252 | 5,823 |
| Plan 5 | 11,276 | 14,383 | 3,775 | 3,733 |
| Total | 157,866 | 264,635 | 150,982 | 234,048 |
| Disclosed as | | | | |
| Current assets | 5,486 | | 4,233 | |
| Non-current assets | 152,380 | | 146,749 | |
| Total | 157,866 | | 150,982 | |

Under IFRS 9, student loans are recognised at fair value. In determining the fair value of student loans, the Department discounts all future cash flows, including the interest that is expected to be received. As a result, a single fair value movement is recognised in SoCNE.

Fair value movements are excluded from the face value of student loans. The closing face value is made up of the opening face value plus additions and interest, less repayments and write-offs.

62 <https://www.gov.uk/government/publications/student-loans-a-guide-to-terms-and-conditions>

14.2 Fair value gain or (loss) analysis

14.2.1 Analysis

| | 2025 | 2024 | Movement improvement / (worsening) |
|--|----------------|----------------|--|
| | £m | £m | £m |
| Overall annual fair value gain or (loss) – calculated | (8,638) | (2,469) | (6,169) |
| Which can be disaggregated into the following drivers: | | | |
| initial fair value loss on loan origination | (6,122) | (5,766) | (356) |
| annual revaluation fair value loss: | | | |
| write-offs | 310 | 121 | 189 |
| impact of changes in assumptions and modelling | (386) | (900) | 514 |
| operational costs | (59) | (124) | 65 |
| discount rate change | 280 | (2,074) | 2,354 |
| unwinding of the discount | 4,002 | 5,428 | (1,426) |
| residual fair value movement | (6,663) | 846 | (7,509) |

The total fair value gain or (loss) movement (covering both the initial and year end elements) is calculated through modelling as described elsewhere as a single value per plan from known model inputs.

Difference in initial fair value and amount advanced to students for new loans

As described in note [1.3.3](#) we judge that FReM adaption#5 to IFRS 9 applies to student loans. The initial fair value movement is expensed in SoCNE together with the annual fair value movement in note [8](#).

The movement (£356 million worsening) from last year (prior year: £270 million worsening) is driven by an increase in loan outlay and an increase in the HMT discount rate by 0.20% from (1.05%) to (0.85%) (prior year: 0.25% increase from (1.3%) to (1.05%)) for cashflows before February 2023 and by 0.10% thereafter (prior year: 0.15%). Increasing the discounting applied to future repayments of student loans means valuing them less, and hence an increase in the difference between student loans and the fair value of those loans on issuance.

Modelling differences

The modelling differences shown above can be broken down into two sub-sets:

- differences due to changes in cashflow assumptions (£168 million gain, prior year: £253 million gain): these relate to small differences in assumptions about when cashflows occur between models within the student finance modelling pipelines
- other differences (£554 million loss, prior year: £1,153 million loss): these relate to factors other than cashflow timing differences within the different models

Operational costs

In accordance with IFRS 9, the fair value calculation includes an estimation of the operational costs of servicing the loan books. We adopt this approach because we consider that a purchaser would assess its own prospective costs as part of their valuation approach. We use our own operational costs as an approximation of the prospective purchaser's operations. Operational costs are the costs associated with the collection of student loans throughout the life of the loan. The movement in the discounted cashflow calculation is a component of the fair value movement.

The favourable movement of £65 million (prior year: £456 million improvement) from last year relates to updated forecasts for RPI and the HMT-mandated PES rate. Each year operational costs are calculated and adjusted using the discount rate (calculated as RPI+PES rate for the full term of the loan). The discount rate (relative to RPI) has increased compared to the rate in place for last year, meaning less value is being placed on future operational costs. RPI forecasts also have increased since last year. These favourable movements are partially offset by an overall increase in operational costs of 6% when compared to last year.

Discount rate change

The closing carrying value of student loans reflects an increase of £280 million (prior year: £2,074 million reduction) from the impact of the change in the discount rate applied in the year end valuation.

Unwinding the discount

This fair value movement arises from removing one year's worth of discounting from the year end valuation of student loans. This year's gain of £4.0 billion is £1.4 billion lower than that reported last year (prior year: £5.4 billion gain, £9.0 billion worsening) due to the year end RPI forecast, 3.45%, being lower than last year's 4.84%. Decreased discounting means less gain from unwinding the discount.

Write-offs

The movement here relates to the value of student loans which have been written-off in a year. The breakdown by plan type can be seen in [Annex C](#).

Residual fair value movement

This is the element of the annual fair value movement remaining after the identified drivers have been disaggregated. It represents the pure revaluation element of the annual fair value movement and reflects changes in determinants such as the earnings outlook, which is more pessimistic than in the prior year.

14.3 Valuation modelling

14.3.1 Assurance over the carrying value

Each year movements in student loan carrying values are explained in full and the updated modelling is subject to management scrutiny prior to approval and recognition to the accounts.

14.3.2 Impact of changes in assumptions and modelling

The key macroeconomic assumptions that affect the value of the student loan books are earnings growth, RPI inflation (all Plans), and the Bank of England base rate (Plan 1 only). These macroeconomic assumptions are based on OBR forecasts as they are considered the most reliable and span the length of time required for consideration for student loan repayments. Other assumptions, for example, that future graduate earnings will mimic the available data on historical graduate earnings cannot be easily verified.

The applicable current HMT discount rates (applied to Plans 1, 2 and 5) are RPI-0.85% and RPI+0.05% (prior year: RPI-1.05% and RPI-0.05%) for cash flows out to February 2030 and post-February 2030 respectively. The intrinsic rate for Plan 3, also discounted relative to RPI, has changed from 1.87% to 1.78%.

Note [1.3.4](#) describes our approach to choosing the discount rates applied to each plan's modelled future repayments to calculate plan-level fair values.

The following sections discuss the impacts on the current year end carrying fair values as a result of changes in modelling, assumptions and other variables that impact the valuation, and also detail sensitivity analysis on the valuation.

14.4 Sensitivity analysis

The analysis below shows the changes in carrying value from changes in variables that can significantly affect the fair value of student loans, including unobservable inputs used in the fair value measurement. The analysis covers factors flexed individually and in combination. The combined analysis is not attempting to create future economic scenarios or forecasts; we have presented the combined analysis to illustrate the potential interplay between specific factors.

Factors are split between those that are external to the Department, which include the discount rate set by HMT and macroeconomic factors, and internal factors such as policy decisions that the Department can influence.

The HMT discount rate and earnings forecasts are expected to change annually and have a significant impact on the carrying value of student loans. Both these external factors have therefore been flexed together. RPI, a further external factor, has been considered in isolation and so has the repayment threshold, an internal factor.

The carrying values used in the sensitivity analysis do not include the limited impact of including operational costs. The sensitivity analysis workings are completed prior to the inclusion of operational costs for the IFRS 9 carrying values used in note [14.1](#). [Annex C](#) presents the overall sensitivities disclosed, analysed by plan.

14.4.1 RPI

| | 2025 | 2024 |
|---------------------------------------|----------|----------|
| | £m | £m |
| Year end carrying value | 157,866 | 150,982 |
| Impact on carrying values from | | |
| An increase of RPI by 1% | (22,636) | (22,744) |
| A decrease of RPI by 1% | 27,779 | 27,235 |
| An increase of RPI by 2% | (45,177) | (44,294) |
| A decrease of RPI by 2% | 52,633 | 53,004 |

An increase in RPI leads to:

- a higher discount rate, which will lower the carrying value of loan books
- increased interest on borrowers' balances in the following year for Plans 2, 3 and 5 loans
- increased interest for Plan 1 loans, unless RPI is higher than the base rate +1%, in which case RPI does not determine the interest rate
- increased repayment threshold for Plan 1 loans, which results in lower repayments

The outturn for March 2025 RPI is 3.3% and is forecast to increase to 4.2% next year before increasing marginally throughout the remainder of the forecast period (prior year: 7.5% and was forecast to fall to 2.2% in 2025-26). Long-term is considered to be 30 years for these purposes. The table shows the impact of a 1% or 2% change to each RPI forecast in each of the forecast cash flow years. An increase in RPI reduces the valuation of the loan book, and a decrease in RPI increases the valuation. The amounts are significant due to the impact that RPI has on the discount rate, as explained above and as seen last year, changes to the discount rate can have a significant impact on the carrying value of the loan book.

The percentage movements are not against the year end RPI value. The +/- margins are against the OBR's central forecast of RPI which was used in the year end valuation modelling across the full 30 or 40-year life of the loans.

14.4.2 Loan repayment threshold

| | 2025 | 2024 |
|--|---------|---------|
| | £m | £m |
| Year end carrying value | 157,866 | 150,982 |
| Impact on carrying values from | | |
| An increase of the threshold by £1,000 | (1,497) | (2,219) |
| A decrease of the threshold by £1,000 | 5,864 | 5,550 |

The repayment threshold determines the earnings level above which borrowers repay their student loans. Repayment thresholds are specific to plans and are revised individually, as set out below:

- Plan 1: current year's threshold £24,990, uprated each year in line with RPI
- Plan 2: current year's threshold £27,295, frozen up to 2025-26 and then uprated by RPI
- Plan 3: current year's threshold £21,000, remains frozen

- Plan 5: current year's threshold £25,000, frozen until 2027-28 after which it will increase by RPI

The table shows that increasing the repayment threshold decreases the carrying value of the loan book, because this reduces the repayments made by borrowers. Reducing the rate increases the carrying value.

14.4.3 Multiple factors

| | 2025 | 2024 |
|---------------------------------------|---------|---------|
| | £m | £m |
| Year end carrying value | 157,866 | 150,982 |
| Impact on carrying values from | | |
| Scenario 1 | 10,645 | 9,326 |
| Scenario 2 | (9,055) | (9,365) |
| Scenario 3 | 13,702 | 12,730 |
| Scenario 4 | (6,449) | (6,479) |

The table illustrates the effect of varying more than one model input. The four situations are as follows:

- scenario 1 – discount rate increased by 0.2%, earnings up by 1%
- scenario 2 – discount rate increased by 0.2%, earnings down by 1%
- scenario 3 – discount rate decreased by 0.2%, earnings up by 1%
- scenario 4 – discount rate decreased by 0.2%, earnings down by 1%

The sensitivity analysis presented here is to give awareness of what would happen to the Department's financial position should certain conditions change. An increase in earnings in isolation would increase the valuation of the loan book, because it means more repayments will be received. An increase in the discount rate in isolation means expected future repayments are valued less, leading to a decrease in the fair value of student loans. The four scenarios presented above show the impact of changes in both, because both are updated annually.

Discount rate

The HMT discount rate is used to calculate the remeasurements on student loans for Plans 1, 2 and 5. Plan 3 uses its intrinsic rate. More information has been given in notes [1.3.4](#) and [14.3.2](#). The HMT rate is the long-term cost of government borrowing. The current year amendment was an increase of 0.20% to 2030 and 0.05% thereafter (prior year: 0.25% increase and 0.15% respectively). This is something that is determined by HMT, and over which the Department has no control.

In accordance with IFRS 9, the Group accounts for the student loan book as FVTPL. Therefore, there may be an expectation from readers that the Group will be applying a market discount rate as per IFRS 13. Per IFRS 13, the fair value considers the most advantageous market for an orderly transaction to take place. However, the rate used in these accounts is prescribed by FReM's interpretation of IFRS 9 and is therefore the rate as promulgated by HMT annually to all government departments. Discount rate sensitivities have been

considered in scenarios with earnings forecasts, as these are considered to be the factors most likely to change year-on-year.

A sensitivity of 0.2% in each direction has therefore been considered here, 0.2% being in line with recent updates, and so yielding realistic scenarios.

Earnings growth

Earnings growth in the last four years has increased to between 4% to 7% after a period of lower growth at around 2% to 3% previously. It is forecast to be below 4% next year, and between 2% to 3% thereafter.

Higher earnings growth leads to:

- increased repayments for all loan books, as repayments are linked to earnings
- increased interest applied to students' loan accounts, and therefore due for repayment for Plan 2 loans, as the variable element of the interest rate is linked to the borrower's earnings

The OBR outturn for this financial year earnings growth is 4.7% and is forecast to be below 3.7% next year before stabilising between 2% to 3% in the long-term, considered to be the next thirty years (prior year: 6.9%, forecast to be below 3.1% to 2028 and then stabilise to 3% to 4% over the long-term).

An increase in earnings growth increases the valuation of the loan book as a result of the increased repayments arising from the growth. Earnings sensitivities have been considered in scenarios with the HMT discount rate, as these are considered to be the factors most likely to change year-on-year. The scenarios have considered short-term movements of 1% in each direction which is based on the likely volatility in earnings forecasts, and only short-term (to 2030) has been considered because our understanding is that the OBR is unlikely to change long-term earnings forecasts.

14.5 Budgetary performance (outturn)

The following table provides an analysis of the budgetary outturn of student loans. As well as the overall outturn, the fair value gain or loss is also analysed across its two elements: the initial transaction fair value movement (reflecting the proportion of loan outlay we expect not to recover when loans are issued) and the year end re-assessment (which captures movements between issue and year end). The budgetary analysis supports the Department's fiscal reporting to HMT. Positive numbers are costs or losses, whereas negative numbers are benefits or gains.

Summary analysis

| | 2025 | 2024 |
|---|---------------|---------------|
| | £m | £m |
| Outturn by budget class | | |
| CAME | 30,897 | 30,906 |
| RAME | (3,825) | (3,325) |
| RDEL | 12,773 | 5,915 |
| Total | 39,845 | 33,496 |
| Outturn by activities | | |
| Net lending | 31,207 | 31,027 |
| Fair value (gain) or loss on loan origination | 6,122 | 5,766 |
| Annual fair value (gain) or loss | 2,516 | (3,297) |
| Total outturn | 39,845 | 33,496 |

Further analysis

| | 2025 | 2024 |
|--|---------------|----------------|
| | £m | £m |
| Net lending | | |
| CAME | | |
| Loan advances | 20,662 | 20,174 |
| Repayments | (4,830) | (4,406) |
| Capitalised interest | 15,065 | 15,138 |
| Write-offs | 310 | 121 |
| Total | 31,207 | 31,027 |
| Fair value (gain) or loss on loan origination | | |
| RDEL | | |
| Impact of policy changes | 17 | 8 |
| Residual fair value change | 5,480 | 5,476 |
| RAME | | |
| Impact of discount rate change | 625 | 282 |
| Sub-total | 6,122 | 5,766 |
| Annual fair value (gain) or loss | | |
| RDEL | | |
| Modelling differences | 554 | 1,153 |
| Operational costs movement | 59 | 124 |
| Residual fair value change | 6,663 | (846) |
| RAME | | |
| Unwinding the discount | (4,002) | (5,428) |
| Impact of discount rate change | (280) | 2,074 |
| Modelling differences | (168) | (253) |
| CAME | | |
| Write-offs | (310) | (121) |
| Sub-total | 2,516 | (3,297) |
| Total fair value (gain) or loss | 8,638 | 2,469 |

15. Other loans

15.1 Current loans

| | 2025 | | 2024 | |
|----------------------|-----------------------|-----------|-----------------------|-----------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| PF2 loan assets | – | 39 | – | 40 |
| FE sector loans | 20 | 20 | 19 | 19 |
| Academy sector loans | 25 | 25 | 26 | 26 |
| Other loans | – | – | – | – |
| Total | 45 | 84 | 45 | 85 |

15.2 Non-current loans

| | 2025 | | 2024 | |
|----------------------|-----------------------|------------|-----------------------|------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| PF2 loan assets | – | 410 | – | 431 |
| FE sector loans | 237 | 237 | 153 | 153 |
| Academy sector loans | 90 | 90 | 93 | 93 |
| Other loans | 3 | 4 | – | 3 |
| Total | 330 | 741 | 246 | 680 |

15.3 Loan types

15.3.1 PF2 loan assets

These are loans made within the structure of the Group's PF2 transaction between the Group and the transaction's five regional consortia. Each consortium has a single loan repayable in 6-monthly instalments from 31 March 2017 ending on 28 December 2041 which matches the service concession period. The loans bear interest at fixed rates; with the weighted average fixed interest rate of 3.56% (prior year: 3.56%).

15.3.2 FE sector loans

Loans to the FE sector representing both exceptional financial support and restructuring facility loans provided to colleges to safeguard learner provision. These loans provided to colleges have varying terms based on the individual merits of each college's situation.

15.3.3 Academy sector loans

Loans issued to academy trusts comprise the following types:

- deficit funding loans, to assist with academy trusts' deficit funding at conversion with their ex-local authority; with loan repayments collected as a deduction against the academy trusts' grant payments over the loan term

- estate condition loans, to allow academy trusts to address estate condition issues
- voluntary aided capital project loans, issued to voluntary aided schools for capital projects under Schedule 3 of the Schools Standards and Framework Act 1998

16. Receivables

16.1 Amounts falling due within one year

| | 2025 | | 2024 | |
|-----------------------------------|-----------------------|------------|-----------------------|------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| Trade receivables | 9 | 38 | 16 | 31 |
| VAT receivables | 18 | 13 | 45 | 40 |
| Other receivables – student loans | 466 | 466 | 214 | 214 |
| Other receivables – other | 153 | 150 | 119 | 124 |
| Prepayments | 13 | 27 | 13 | 26 |
| Accrued income | 27 | 29 | 37 | 39 |
| Total | 686 | 723 | 444 | 474 |

Trade receivables are presented after applying impairment allowances of £46 million (Department and Agencies) and £207 million (Group) (prior year: £47 million and £190 million respectively). The majority of the impairment charges arise in CITB and ECITB against their levy charges.

Other receivables – student loans refers to funds from borrowers recovered by HMRC through the PAYE system and yet to be passed across to the Group.

16.2 Amounts falling due after more than one year

| | 2025 | | 2024 | |
|-----------------------------------|-----------------------|-----------|-----------------------|-----------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| Other receivables – student loans | 42 | 42 | 40 | 40 |
| Other receivables – other | 2 | (1) | 2 | 2 |
| Total | 44 | 41 | 42 | 42 |

Other receivables – student loans relate to student loan grant overpayments owed to the Group. The receivables balance represents funds advanced to borrowers who were eligible for student support, but whose circumstances subsequently changed post-advance. The balances are cumulative, and the Department attempts to recover them. The closing net position is made up of an impairment provision of £404 million (prior year: £390 million) applied against gross overpayments of £446 million (prior year: £436 million).

17. Cash and cash equivalents

17.1 Analysis

| | 2025 | | 2024 | |
|--|-----------------------|------------|-----------------------|--------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| Balance at 1 April | 892 | 1,056 | 694 | 857 |
| Net change in cash and cash equivalent balances | (390) | (420) | 198 | 199 |
| Balances at 31 March | 502 | 636 | 892 | 1,056 |
| The following balances are held as cash at bank and in hand | | | | |
| Government Banking Service | 489 | 519 | 850 | 882 |
| Commercial banks | – | 104 | – | 132 |
| Cash held by third parties on behalf of the Group | 13 | 13 | 42 | 42 |
| Balance at 31 March | 502 | 636 | 892 | 1,056 |

Third parties holding cash for the Group include solicitors as part of land transactions, managing agents for rentals and RPA's corporate services provider to support claim payments. Cash held by third parties is held short-term to support the underlying transactions.

17.2 Reconciliation of liabilities arising from financing activities

17.2.1 2025

| | 2024 | Cash flows | Non-cash changes | | 2025 |
|--|--------------|--------------|------------------|------------|--------------|
| | | | Acquisition | Other | |
| | | | £m | £m | |
| Supply | 878 | (376) | – | – | 502 |
| PF2 imputed lease liabilities | 567 | (16) | – | – | 551 |
| PF2 loan liabilities | 478 | (23) | – | – | 455 |
| Lease liabilities | 229 | (26) | 3 | (9) | 197 |
| Total liabilities from financing activities | 2,152 | (441) | 3 | (9) | 1,705 |

17.2.2 2024

| | 2023 | Cash flows | Non-cash changes | | 2024 |
|--|--------------|------------|------------------|-----------|--------------|
| | | | Acquisition | Other | |
| | | | | | |
| | £m | £m | £m | £m | £m |
| Supply | 694 | 184 | – | – | 878 |
| PF2 imputed lease liabilities | 583 | (16) | – | – | 567 |
| PF2 loan liabilities | 502 | (24) | – | – | 478 |
| Lease liabilities | 166 | (15) | 27 | 51 | 229 |
| Total liabilities from financing activities | 1,945 | 129 | 27 | 51 | 2,152 |

18. Current payables

| | 2025 | | 2024 | |
|---|-----------------------|--------------|-----------------------|--------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| Tax and social security payables | 11 | 16 | 12 | 18 |
| Trade payables | 38 | 43 | 36 | 44 |
| Other payables | 584 | 603 | 607 | 612 |
| Accruals | 1,331 | 1,382 | 1,345 | 1,383 |
| Deferred income | 27 | 37 | 30 | 44 |
| Amounts issued from the Consolidation Fund for Supply but not spent at year end | 502 | 502 | 878 | 878 |
| PF2 imputed lease liability | 16 | 16 | 16 | 16 |
| PF2 loan liabilities | – | 27 | – | 27 |
| Consolidated Fund extra receipts due to be paid to the Consolidated Fund: | | | | |
| received | – | – | 14 | 14 |
| Total | 2,509 | 2,626 | 2,938 | 3,036 |

19. Non-current payables

19.1 Analysis

| | 2025 | | 2024 | |
|-----------------------------|-----------------------|--------------|-----------------------|--------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| PF2 imputed lease liability | 535 | 535 | 551 | 551 |
| PF2 loan liabilities | – | 428 | – | 451 |
| Other payables | 242 | 240 | 308 | 309 |
| Deferred income | 3 | 3 | 3 | 3 |
| Total | 780 | 1,206 | 862 | 1,314 |

PF2 loan liabilities include senior debt owed to two third parties and subordinated debt provided by a party related to the Aggregator that is not part of the Group.

PF2 senior debt relates to five bank notes and five bond subscriptions. The borrowing facilities are for a total value of £563.3 million (prior year: £563.3 million) and as at 31 December 2024 £406.0 million (prior year: £428.0 million) has been drawn down. Loan issue costs related to the bank borrowings have been deducted from the gross proceeds and an effective interest is used to calculate finance costs. There was £12.1 million (prior year: £12.3 million) of accrued interest and an unamortised effective interest adjustment of £5.2 million debit (prior year: £5.5 million debit) as at the company's year end of 31 December 2024.

The loans are repayable in six-monthly instalments commencing on 31 March 2018, ending on 31 March 2042. Interest is charged on amounts drawn under the facilities based on a fixed rate; the weighted average fixed rate is 3.56% (prior year: 3.56%).

As at 31 December 2024, £2.5 million interest has been accrued on the subordinated debt of £38.9 million (prior year: £2.6 million and £39.9 million respectively).

19.2 Maturity analysis

| | 2025 | | 2024 | |
|---|-----------------------|--------------|-----------------------|--------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| Not later than one year | 16 | 43 | 16 | 43 |
| Later than one year and not later than five years | 76 | 183 | 73 | 178 |
| Later than five years | 459 | 780 | 478 | 824 |
| Total | 551 | 1,006 | 567 | 1,045 |

The maturity analysis covers the Group's financial liabilities with defined multi-year maturities: PF2 loan liabilities and PFI lease liabilities.

20. Lease liabilities

The following tables provide additional analysis of the overall lease liability position for both operational and education sector leased assets. To align to the asset disclosures, liabilities have been split between those incurred from leasing operational assets and those incurred from education sector assets. The disparity between the education sector assets' carrying value and the associated lease liability value is caused by the preponderance of peppercorn leases in our education sector activities. Peppercorn leases produce assets but no liabilities.

20.1 Analysis

| | 2025 | | 2024 | |
|---|-----------------------|------------|-----------------------|------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| Balance as at 1 April | 197 | 229 | 152 | 166 |
| Additions | 10 | 11 | – | 23 |
| Interest | 7 | 9 | 2 | 3 |
| Repayments | (32) | (34) | (14) | (19) |
| Modification adjustments | (16) | (18) | 57 | 56 |
| Closing balance as at 31 March | 166 | 197 | 197 | 229 |
| Disclosed as | | | | |
| Amounts due within one year | 11 | 13 | 19 | 19 |
| Amounts due after more than one year | 155 | 184 | 178 | 210 |
| Total | 166 | 197 | 197 | 229 |
| Allocation across activity types | | | | |
| Operational assets | 125 | 156 | 160 | 192 |
| Education sector assets | 41 | 41 | 37 | 37 |
| Total | 166 | 197 | 197 | 229 |

20.2 Maturity analysis

| | 2025 | | 2024 | |
|---|-----------------------|------------|-----------------------|------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| Not later than one year | 16 | 20 | 20 | 23 |
| Later than one year and not later than five years | 49 | 65 | 83 | 98 |
| Later than five years | 101 | 112 | 94 | 108 |
| Total | 166 | 197 | 197 | 229 |
| Expected receipts from sub-leases | 2 | 2 | 4 | 4 |

21. Commitments

21.1 Capital commitments

Contracted and approved commitments at 31 March not otherwise included in these financial statements:

| | 2025 | | 2024 | |
|-------------------------------|-----------------------|----------|-----------------------|----------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| Property, plant and equipment | – | – | – | – |
| Intangible assets | – | 1 | 6 | 9 |
| Total | – | 1 | 6 | 9 |

21.2 Lease commitments

Total future minimum lease payments under leases are given in the following tables for both of the reporting years covered by this ARA.

21.2.1 2025

| | Operational assets | Education sector assets | Total |
|---|--------------------|-------------------------|------------|
| | £m | £m | £m |
| Leases for which IFRS 16 applies in full | | | |
| Not later than one year | 18 | 2 | 20 |
| Later than one year and not later than five years | 58 | 7 | 65 |
| Later than five years | 140 | 137 | 277 |
| Sub-total | 216 | 146 | 362 |
| Less future interest charges | (60) | (105) | (165) |
| Present value of obligations | 156 | 41 | 197 |
| Presented as | | | |
| Payables: amounts due within one year | 12 | 1 | 13 |
| Payables: amounts due after more than one year | 144 | 40 | 184 |
| Total | 156 | 41 | 197 |
| Analysed across reporting levels | | | |
| Department | 125 | 41 | 166 |
| Agencies | – | – | – |
| NDPBs | 31 | – | 31 |
| Total | 156 | 41 | 197 |
| Expected receipts from sub-leases | – | 2 | 2 |

21.2.2 2024

| | Operational assets | Education sector assets | Total |
|---|--------------------|-------------------------|------------|
| | £m | £m | £m |
| Leases for which IFRS 16 applies in full | | | |
| Not later than one year | 22 | 2 | 24 |
| Later than one year and not later than five years | 96 | 2 | 98 |
| Later than five years | 91 | 38 | 129 |
| Sub-total | 209 | 42 | 251 |
| Less future interest charges | (17) | (5) | (22) |
| Present value of obligations | 192 | 37 | 229 |
| Presented as | | | |
| Payables: amounts due within one year | 17 | 2 | 19 |
| Payables: amounts due after more than one year | 175 | 35 | 210 |
| Total | 192 | 37 | 229 |
| Analysed across reporting levels | | | |
| Department | 160 | 37 | 197 |
| Agencies | – | – | – |
| NDPBs | 32 | – | 32 |
| Total | 192 | 37 | 229 |
| Expected receipts from sub-leases | 2 | 2 | 4 |

21.3 PFI commitments

| | 2025 | 2024 |
|---|--------------|--------------|
| | £m | £m |
| Minimum lease payments | | |
| Due within one year | 61 | 61 |
| Due later than one year and not later than five years | 238 | 239 |
| Due later than five years | 722 | 781 |
| Sub-total | 1,021 | 1,081 |
| Less interest element | (467) | (501) |
| Present value | 554 | 580 |
| Service elements due in future periods | | |
| Due within one year | 9 | 8 |
| Due later than one year and not later than five years | 46 | 43 |
| Due later than five years | 196 | 208 |
| Total | 251 | 259 |
| Total commitments | 805 | 839 |

Under the terms of the Department's PF2 agreement (the Group's only PFI transaction), the Group is committed to pay unitary service charges regarding each batch for the 25-year operational period of the schools constructed under the financing transaction. The disclosures are applicable to both Department & Agencies and Group reporting levels.

21.4 Policy funding commitments

21.4.1 Resource programmes

| | 2025 | | 2024 | |
|---|-----------------------|---------------|-----------------------|---------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| Not later than one year | 5,155 | 5,669 | 4,761 | 5,429 |
| Later than one year and not later than five years | 4,831 | 4,838 | 4,171 | 4,181 |
| Later than five years | 2,639 | 2,640 | 3,923 | 3,923 |
| Total | 12,625 | 13,147 | 12,855 | 13,533 |

Commitments include those for grants to local authorities and voluntary aided schools to support them with their private finance initiative costs (£6.7 billion, prior year: £7.4 billion).

The Group has commitments (£3.5 billion, prior year: £3.3 billion) to apprenticeship training providers for English apprentices who are already enrolled on training courses as at the year end. The Group's commitments cover the remainder of the courses but will only crystallise when the apprenticeship training has taken place.

21.4.2 Capital programmes

| | 2025 | | 2024 | |
|------------------------------|-----------------------|--------------|-----------------------|--------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| Free schools | 311 | 311 | 480 | 480 |
| School rebuilding programme | 1,015 | 1,015 | 600 | 600 |
| FE transformation | 367 | 367 | 109 | 109 |
| Strategic school improvement | 7 | 7 | – | – |
| Total | 1,700 | 1,700 | 1,189 | 1,189 |

Commitments for capital programmes are due to close within two years of the year end.

The majority of capital commitments relate to school and college projects managed by the Group and will not generate assets recognised on the Group's SoFP under the relevant accounting policies. Capital commitments do not include the cost of contract workers engaged in the delivery of the programmes.

21.5 Other financial commitments

| | 2025 | | 2024 | |
|---|-----------------------|------------|-----------------------|------------|
| | Department & Agencies | Group | Department & Agencies | Group |
| | £m | £m | £m | £m |
| Not later than one year | 191 | 201 | 339 | 350 |
| Later than one year and not later than five years | 184 | 186 | 303 | 305 |
| Later than five years | 29 | 29 | 6 | 6 |
| Total | 404 | 416 | 648 | 661 |

The Group has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements), which include but are not limited to the previous student loan debt sale, technical adviser fees for school development sites and marking key stage tests.

No commitments are included here in respect of student loans, as loan repayments only become due when student attendance is confirmed at the start of each term.

22. Contingent liabilities

Below we identify contingent liabilities recognised under IAS 37. More remote contingent liabilities are disclosed earlier in [Remote contingent liabilities](#).

22.1 Quantifiable

The Group holds no quantifiable contingent liabilities as described by IAS 37 (prior year: two). The two contingent liabilities reported last year were resolved in the year without crystallising.

22.2 Unquantifiable

Guarantee to the Local Government Pension Scheme

A guarantee to the separate scheme funds to meet pension deficits if an academy trust or further education college closes without scheme members transferring to another LGPS member employer. The Department considers the guarantees to be unquantifiable due to the extent of the academy and college sectors and the uncertainty over whether a provider will fail without being able to transfer staff to the successor provider.

The guarantees are unlimited, but the Department has agreed with HMT that we can pay out up to £20 million in any given year before requiring additional HMT approval. During the year, the Department settled £799,000 (prior year: £96,000) under the guarantees.

Adjudication

Under paragraph 7 of schedule 5 of the Schools Standards Framework Act 1998, the Secretary of State has a statutory duty to indemnify any adjudicator against any reasonable cost and expense reasonably incurred by him in connection with any decision taken in pursuit of his statutory duty. Adjudicator decisions can be challenged through judicial review. It is not possible to quantify this.

23. Related party transactions

The Department is the parent of the Agencies and sponsor of the NDPBs shown in note [24](#). These bodies are regarded as related parties with which the Department has had various material transactions during the year. These are mainly financing to the Agencies and payments for grant-in-aid to the NDPBs. All such transactions have been eliminated during the preparation of these consolidated accounts.

In addition, the Group has had a number of transactions with other government departments, other central government bodies and local authorities. Most of these transactions have been with GPA (as landlord) and local authorities. We also make pension contributions into public sector pension schemes.

As well as the disclosures in the Remuneration and Staff Report, the following relationships are also considered as related parties and have therefore been disclosed in line with the accounting standard. Transactions are classified as related party transactions if they occurred during the period the individual held the board-level appointment.

Disclosures are split between those individuals who were board members as at the year end, and those whose term as a board-level member ended during the year. The following are related party transaction disclosures for those board-level individuals in post at year end:

- Jack Boyer:
 - is the Chair of Trustees at the University of Bristol
 - his wife is chair of trustees at SafeLives
- Sir Peter Bazalgette is:
 - the Chair of Council at the Royal College of Art
 - a non-executive director of BusinessLDN
- Juliet Chua is a trustee at Whitehall and Industry Group
- Sir Kevan Collins is a non-executive director and Naomi Eisenstadt is a director at The Education Endowment Foundation
- Julia Kinniburgh is a governor at St Bede's School, Redhill
- Rt Hon Baroness Smith is a director at Jacqui Smith Advisory Ltd
- Steve Crocker is a:
 - trustee at the National Children's Bureau
 - director at Steve Crocker Consulting Ltd

Related party disclosures for those board-level individuals who were no longer appointed as at the year end are also given. The dates that individuals ceased to be appointed and so ceased to be included in related party disclosures, can be found in the Accountability Report.

- Rt Hon Gillian Keegan's spouse is a non-executive director at Centerprise International Holdings Limited
- Toby Peyton-Jones' brother is chair at Computing at Schools

The following table shows the value of material related party transactions entered into during the year and the closing amounts due to or from the counterparty. Where individuals left the Group in the year, the balances disclosed are as at their leaving date. Spending disclosed for academy trusts include all transactions which occurred with their relevant academies. Spending with education bodies is predominantly formulaic policy funding under the terms of the relevant funding streams available to education providers.

Apart from the related party transaction disclosures outlined, no minister, board member, key manager or other related parties have undertaken any material transactions with the Group during the year.

| | 2024-25 | | 2023-24 | |
|--|-----------------------------|--------------------------|-----------------------------|--------------------------|
| | Net payments /(receipts) | Receivable /(payable) | Net payments /(receipts) | Receivable /(payable) |
| | £000 | £000 | £000 | £000 |
| Education sector organisations | | | | |
| The Education Endowment Foundation | 47,083 | – | – | – |
| University of Bristol | 39,614 | 11 | 38,891 | 11 |
| Royal College of Art | 4,619 | – | 5,149 | – |
| St Bede's School Redhill | 41 | – | – | – |
| The US-UK Fulbright Commission | – | – | 1,260 | – |
| Non-government organisations | | | | |
| National Children's Bureau | 2,909 | – | – | – |
| BusinessLDN | 376 | – | – | – |
| Centerprise International Holdings Limited | 234 | (4) | 60 | – |
| Computing at Schools | 227 | – | – | – |
| SafeLives | 169 | – | – | – |
| Jacqui Smith Advisory Ltd | 21 | – | – | – |
| Whitehall and Industry Group | 16 | (4) | 14 | – |
| Steve Crocker Consultancy Ltd | 14 | – | – | – |
| Yonder Consulting Group | – | – | 562 | – |
| Ardent Hire Solutions | – | – | (87) | – |

24. Entities within the Group

24.1 Closing position

The entities within the boundary during this reporting year comprise Supply financed Agencies, and those entities listed in the Designation and Amendment Orders presented to Parliament. A dis-aggregation across reporting bodies of operating income, operating expenditure and net expenditure for the year is presented in [Annex E](#). There were no movements in Group bodies during the year.

They are:

Executive agencies

- Education and Skills Funding Agency
- Standards and Testing Agency
- Teaching Regulation Agency

Executive NDPBs

- Children's Commissioner's Office
- Construction Industry Training Board
- Engineering Construction Industry Training Board
- Institute for Apprenticeships and Technical Education
- Located Property Limited
- Oak National Academy Limited
- Office for Students
- Social Work England
- Student Loans Company Limited

Advisory NDPBs

- School Teachers' Review Body

Other

- Aggregator Vehicle Plc

The ARAs of Aggregator Vehicle Plc, Oak National Academy Limited, Located Property Limited and Student Loans Company Limited are available on Companies House. The School Teachers' Review Body does not produce its own ARA.

25. Events after the reporting period

25.1 Student loan valuation

The valuation of student loans is complex and reliant upon forecasts of economic factors both near-term and longer-term over the life of the loans. Economic uncertainty has continued since the year end with economic measures deteriorating.

Management judges the change in economic values post-year end to be a non-adjusting event because the conditions causing the changes occurred after the year end. Therefore, no adjustment has been paid to the carrying values of student loans in this ARA. Whilst the Department has not quantified the potential impact of the changes close to authorisation of these accounts, the size of the student loans portfolio means it could be material.

25.2 Movements in Group bodies after the year end

On 31 March 2025 ESFA closed and its activities, assets and liabilities were integrated into the core Department from 1 April 2025. On 1 June 2025 IfATE closed, and its activities, assets and liabilities transferred either to the Department or the Department's new executive agency Skills England.



The assets and liabilities transferred for both closures are shown below.

| | ESFA to the Department | IfATE to Skills England | IfATE to the Department | Total |
|---|---------------------------|----------------------------|----------------------------|------------------|
| | £000 | £000 | £000 | £000 |
| Non-current assets | | | | |
| Intangible assets | 37,151 | 2,997 | – | 40,148 |
| Loans | 238,180 | – | – | 238,180 |
| Receivables | 1,703 | – | – | 1,703 |
| Total non-current assets | 277,034 | 2,997 | – | 280,031 |
| Current assets | | | | |
| Loans | 21,062 | – | – | 21,062 |
| Receivables | 131,720 | 113 | – | 131,833 |
| Cash and cash equivalents | 617 | 1,266 | – | 1,883 |
| Total current assets | 153,399 | 1,379 | – | 154,778 |
| Current liabilities | | | | |
| Payables | (545,951) | (2,316) | (712) | (548,979) |
| Provisions | – | (288) | – | (288) |
| Total current liabilities | (545,951) | (2,604) | (712) | (549,267) |
| Net assets/(liabilities) transferred | (115,518) | 1,772 | (712) | (114,458) |
| Net loss/(gain) recognised in SoCNE | 115,518 | (1,772) | 712 | 114,458 |

25.3 Authorisation

These accounts were authorised for issue by Susan Acland-Hood (Accounting Officer) on the date they were certified by the Comptroller and Auditor General. There have not been any significant post year end events that have required disclosure in the accounts.





Annexes

Annex A – Additional performance reporting

Additional performance analysis

The following figures present the last four years’ TME analysed across budget types and business groups for the Group as a whole, and then for each business group by budget type. Performance for four years has been provided to align to the lifespan of the current business groups, allowing for consistency of disclosure. In the figures, positive numbers represent net expenses or losses, whereas negative numbers represent net income or gains.

Departmental Group

Figure 33: Outturn by budget class for the last four years

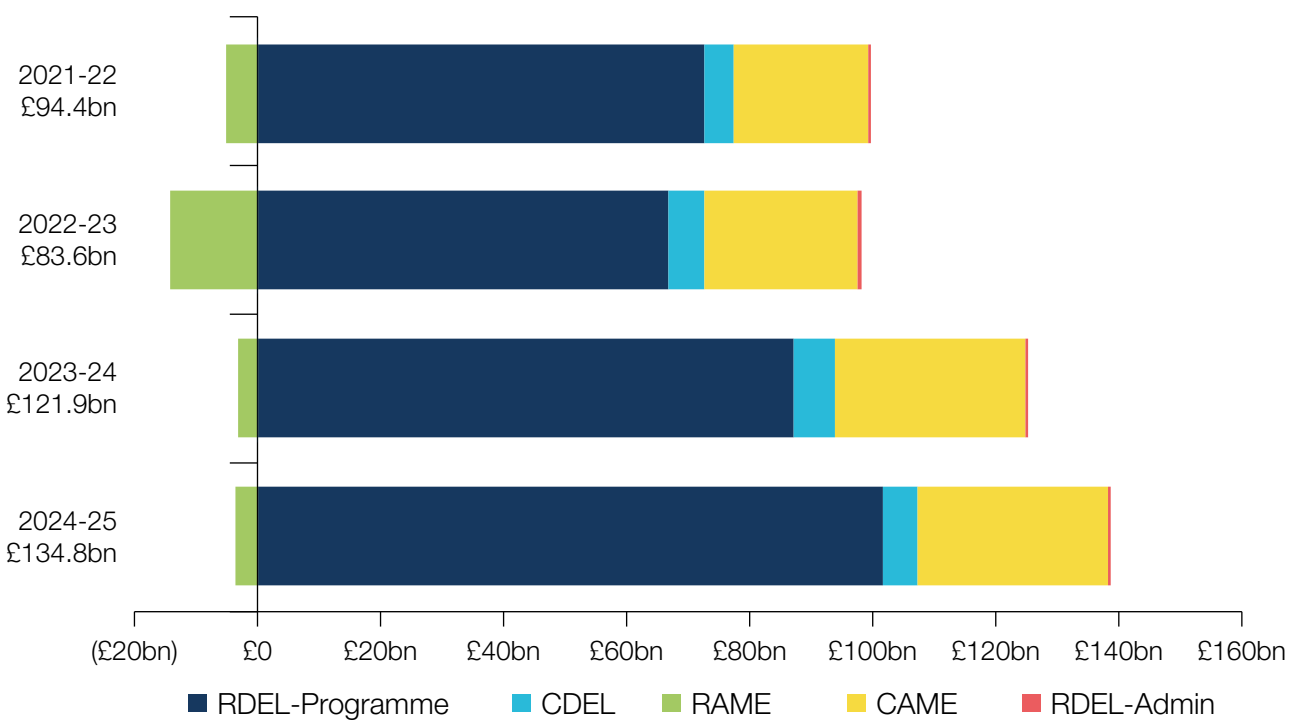
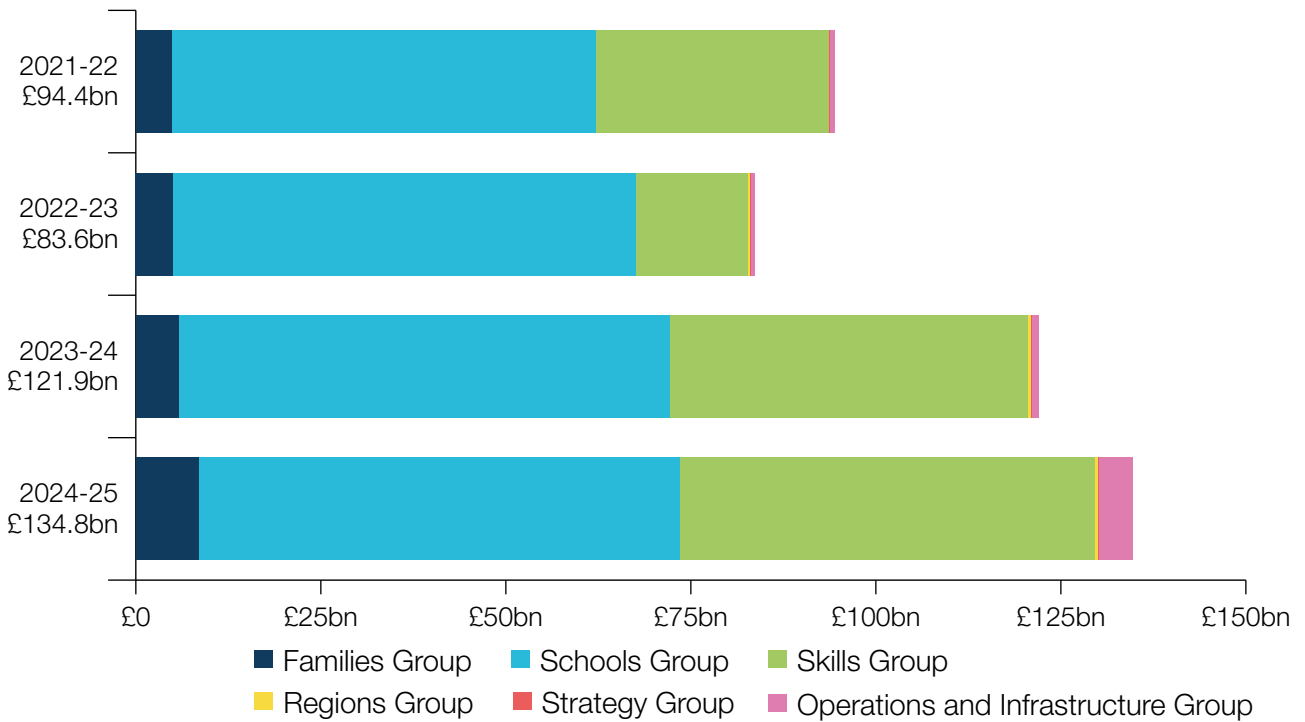
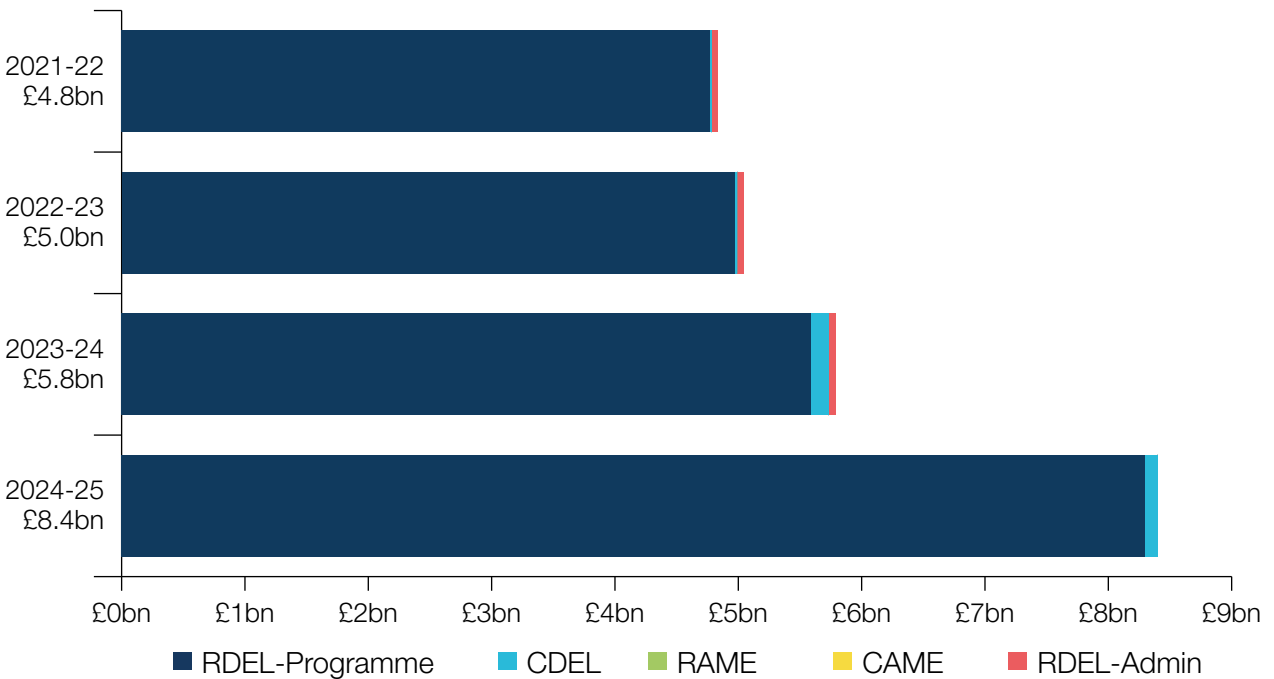


Figure 34: Outturn by operational unit for the last four years



Families Group

Figure 35: Analysis of Families Group outturn by budget class for the last four years

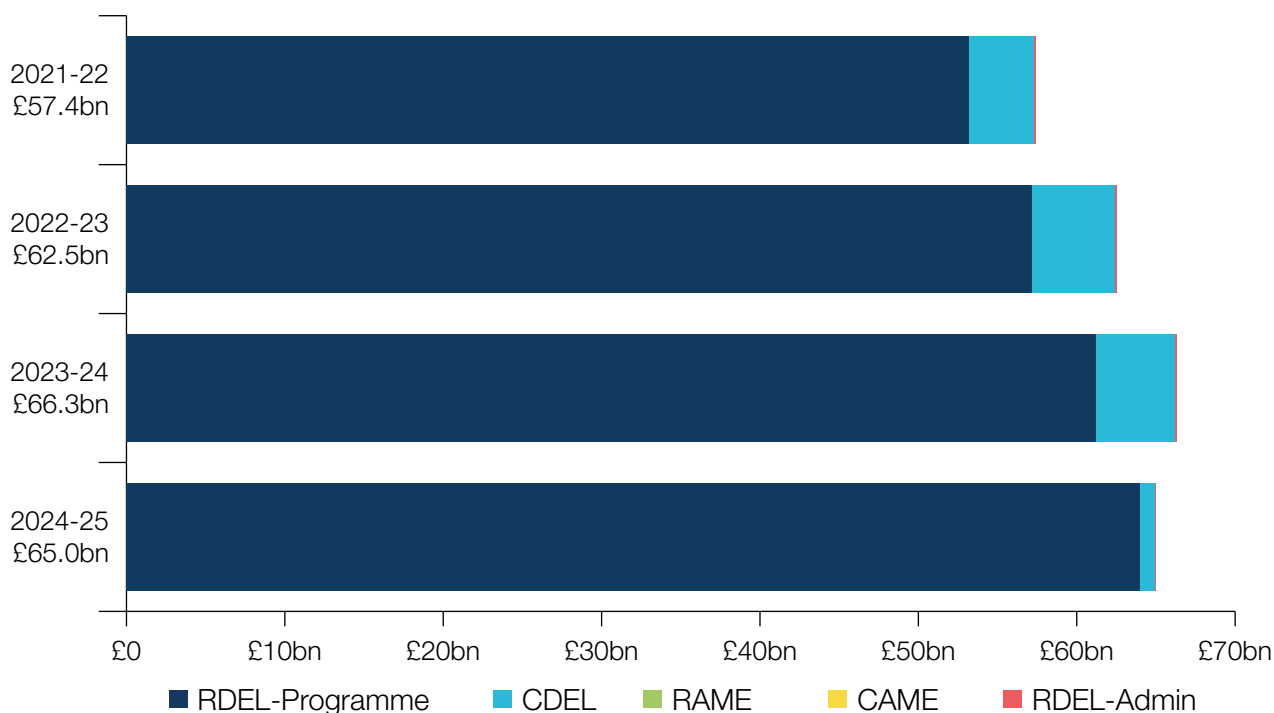


The large increase in RDEL-Programme spend in the year was due to the expansion of early years support.

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

Schools Group

Figure 36: Analysis of Schools Group outturn by budget class for the last four years



During the year, responsibility for capital grants for schools and academies (included in CDEL above) moved to OIG.

Table 26: Significant assets and liabilities managed by Schools Group at the last four year ends

| SoFP caption | Specific item | 2025 | 2024 | 2023 | 2022 |
|-------------------------|------------------------------------|-------|-------|-------|-------|
| | | £m | £m | £m | £m |
| Education sector assets | AuC and investment property assets | 323 | 776 | 611 | - |
| Intangible assets | Intangible assets | 121 | 120 | - | - |
| Other loans | PF2 loan assets | 449 | 471 | 493 | - |
| Other loans | Academy sector loans | 21 | 119 | 125 | 134 |
| Payables | PF2 imputed lease liabilities | - | (567) | (583) | (598) |
| Payables | PF2 loan liabilities | (455) | (478) | (502) | - |
| Provisions | Early departure provisions | (87) | (99) | (108) | (114) |

Skills Group

Figure 37: Analysis of Skills Group outturn by budget class for the last four years

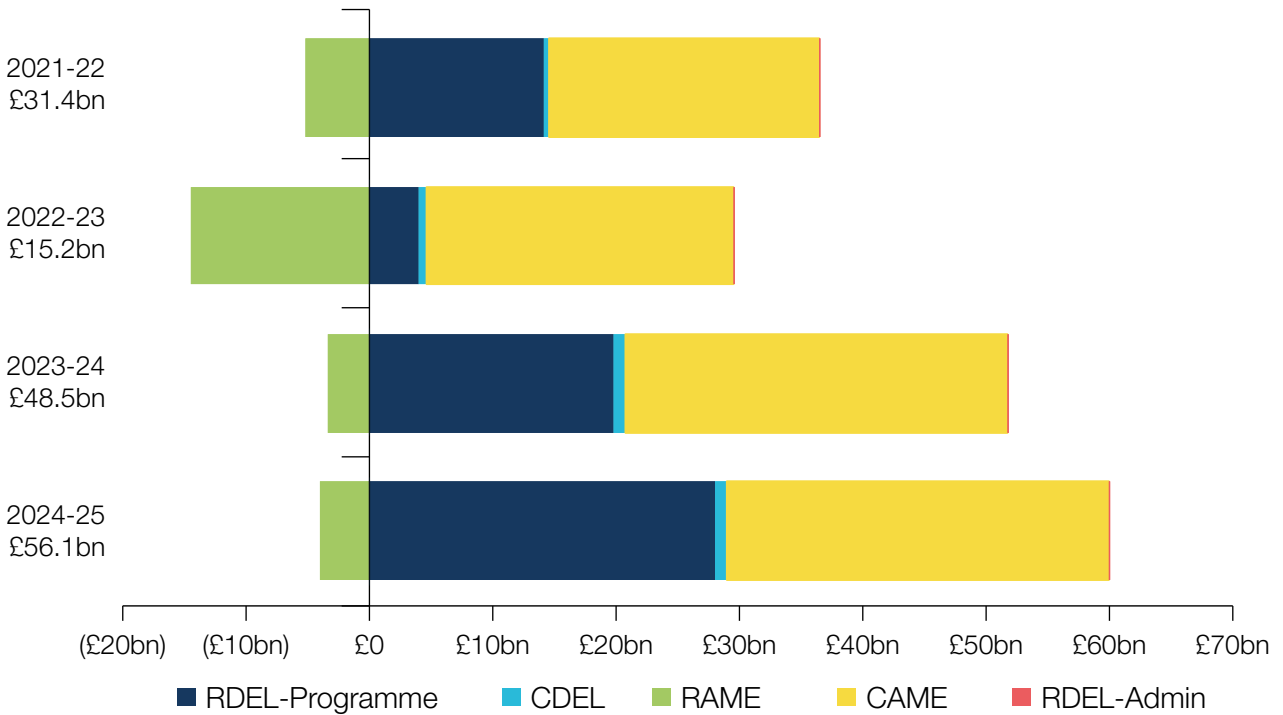


Figure 38: Analysis of non-student loan activity outturn by budget class for the last four years

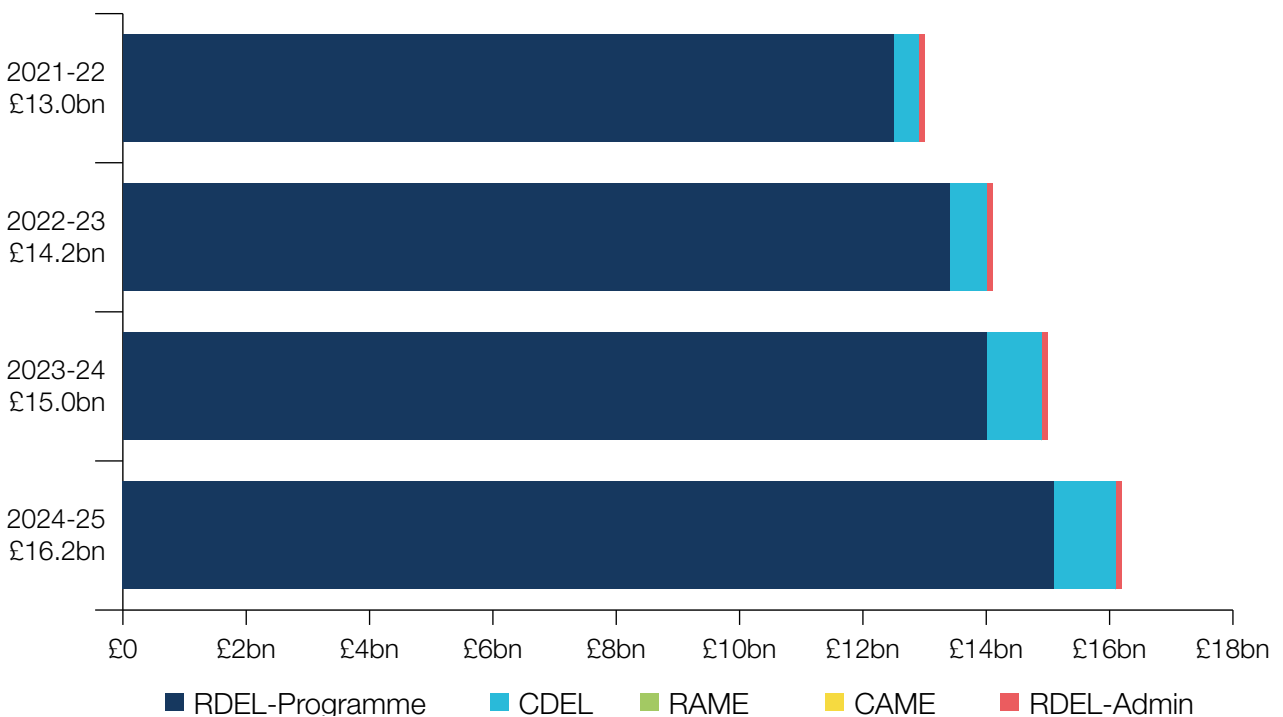
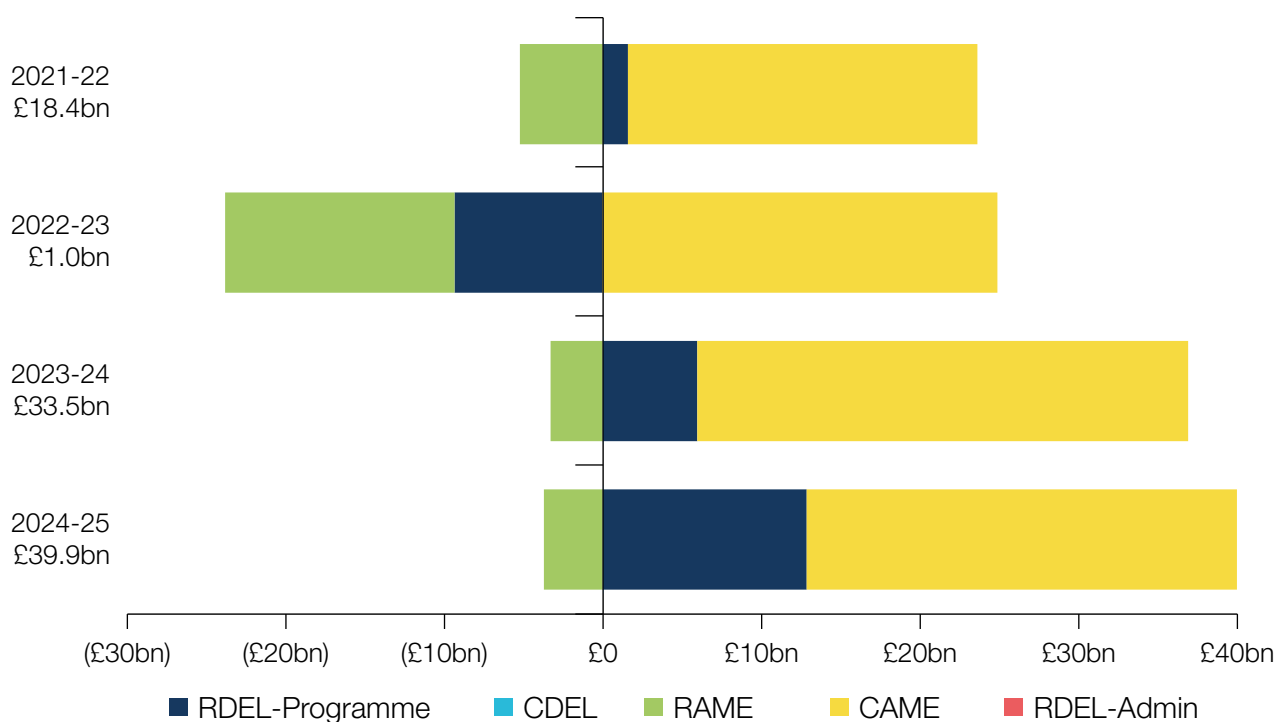
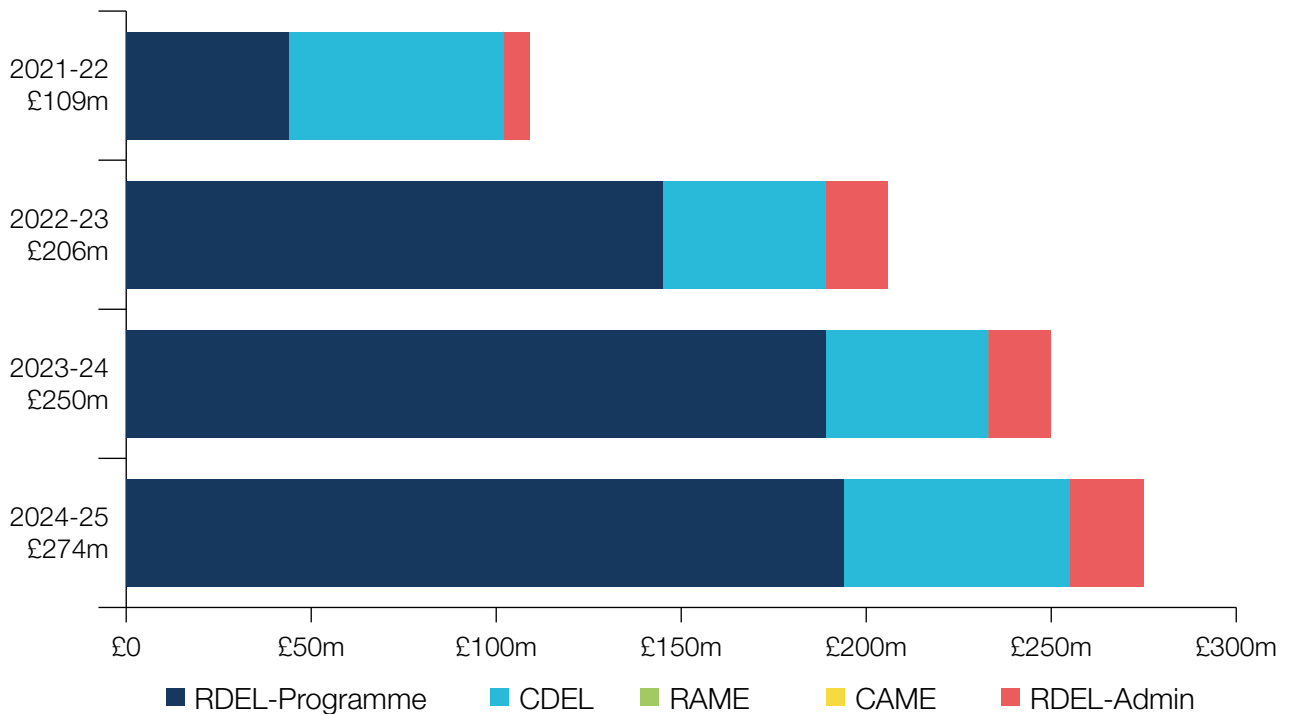


Figure 39: Analysis of student loans outturn by budget class for the last four years**Table 27: Significant assets and liabilities managed by Skills Group at the last four year ends**

| SoFP caption | Specific item | 2025 | 2024 | 2023 | 2022 |
|---------------|-----------------------------|---------|---------|---------|--------|
| | | £m | £m | £m | £m |
| Student loans | Student loan book | 157,866 | 150,982 | 137,804 | 97,942 |
| Receivables | Student loan receivables | 466 | 268 | 537 | 314 |
| Provisions | Inherited staff liabilities | (79) | (93) | (110) | (130) |

Regions Group

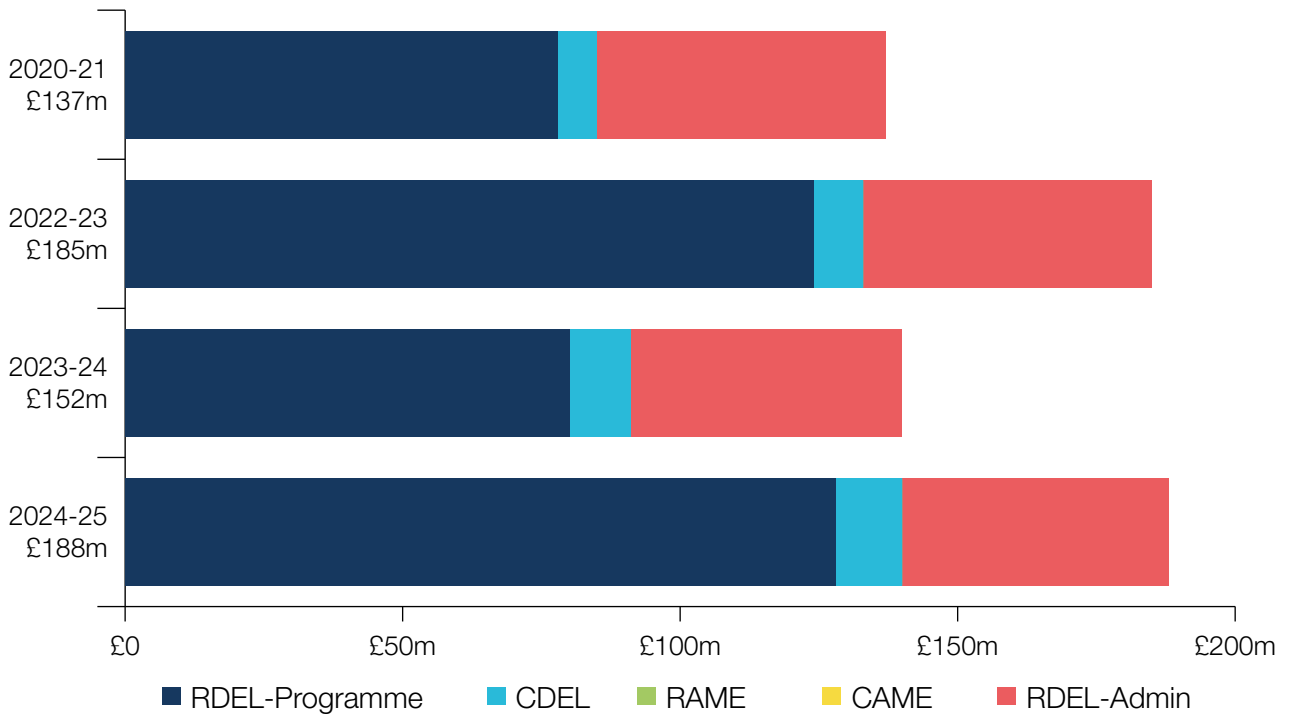
Figure 40: Analysis of Regions Group outturn by budget class for the last four years



No significant assets or liabilities are managed by this operational unit.

Strategy Group

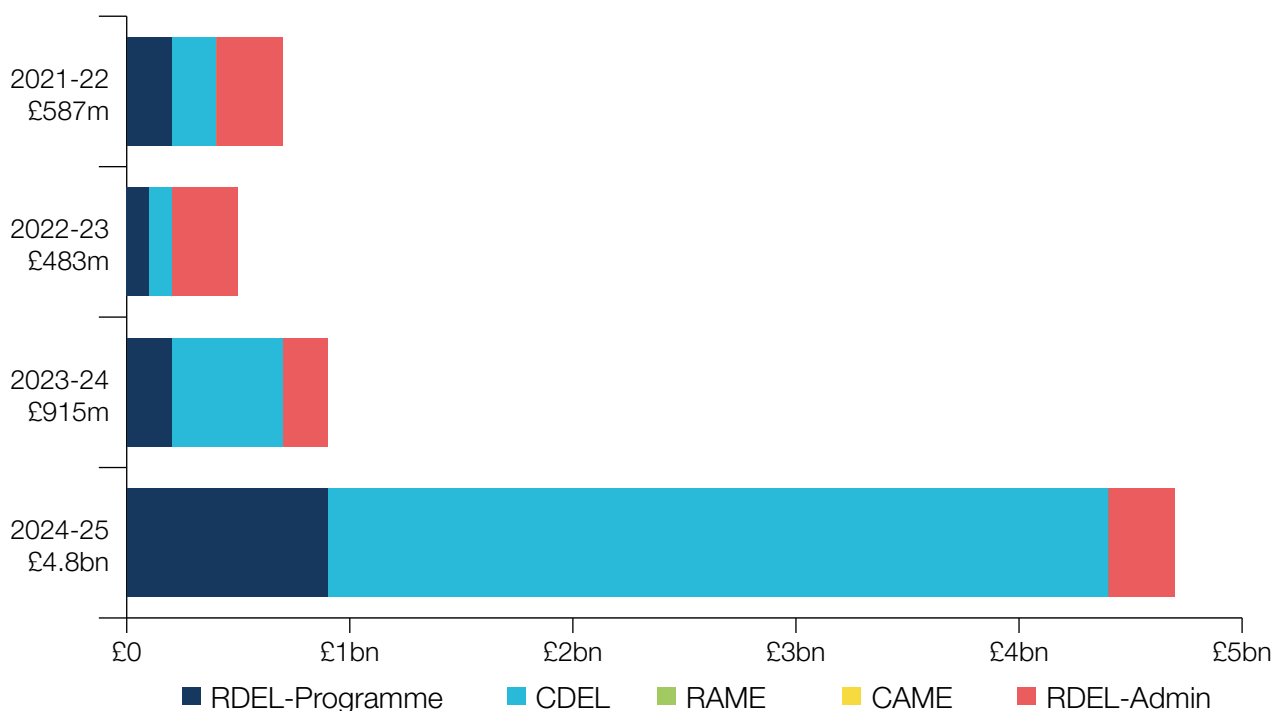
Figure 41: Analysis of Strategy Group outturn by budget class for the last four years



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

Operations and Infrastructure Group (OIG)

Figure 42: Analysis of OIG outturn by budget class for the last four years



During the year responsibility for mainstream CDEL spending was transferred from Schools Group to OIG. There has been no change in how the spending is allocated or calculated, it is just a reporting change.

Table 28: Significant assets and liabilities managed by OIG at the last four year ends

| SoFP caption | Specific item | 2025 | 2024 | 2023 | 2022 |
|-------------------------|------------------------------------|-------|------|------|------|
| | | £m | £m | £m | £m |
| Education sector assets | AuC and investment property assets | 416 | – | – | – |
| Intangible assets | Intangible assets | 120 | – | – | – |
| Other loans | FE sector loans | 257 | – | – | – |
| Other loans | Academy sector loans | 94 | – | – | – |
| Payables | PF2 imputed lease liabilities | (551) | – | – | – |

Charities Act reporting

Section 70 of the Charities Act 2006 sets out the powers for ministers to give financial assistance to charitable, benevolent, or philanthropic institutions, and requires that payments made under this power are reported. The spending disclosed does not represent the total amount of grant funding to these sectors, as many other grants have been paid out under alternative legislation.

The following grant was made:

US-UK Fulbright Commission

The commission, funded by the UK and US governments, offers scholarships to British or American students seeking a postgraduate or research post in the other country. Grants totalling £1.6 million (prior year: £1.3 million) were made to support the work of the commission.



Non-financial matters

Social matters

The Department has continued to deliver its 2022-26 diversity and inclusion strategy. To embed inclusivity, the Department has integrated the annual action plan into a new PSP. This reflects our dedication to creating an inclusive environment where everyone has the opportunity to thrive.

Employees are encouraged to volunteer for social causes at both local and national levels. Additionally, we offer opportunities for individuals from diverse backgrounds to participate. Our diversity and inclusion networks are crucial in creating an inclusive workplace.

Respect for human rights

The Department values human rights: equality and diversity are central components of our activities and societal objectives. This includes compliance with obligations established by the Equality Act 2010, and the subsequent amendments found in the Worker Protection (Amendment of Equality Act 2010) Act 2023 in the context of employment, in which:

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

Modern slavery

The Department remains committed to tackling modern slavery, applying processes to identify, mitigate and manage the risk across its supply chains and setting high standards to raise awareness among staff. This year, the Department exceeded all eight performance targets and has set more ambitious targets for next year's performance measures.

The Chief Commercial Officer is the Department's anti-slavery advocate, providing senior-level oversight on progress, and collaboration across government to share best practice.

Cabinet Office guidance is fully embedded in commercial processes and the relevant instructions for bidders are built into medium and high-risk procurements. Commercial staff involved in commercial activity continue to undertake annual Chartered Institute of Procurement and Supply ethical training and modern slavery e-learning, ensuring a proportionate, risk-based approach throughout procurement.

Anti-corruption and bribery matters

The Department maintains a zero-tolerance stance on bribery and corruption and is committed to upholding the highest standards of honesty and integrity. All employees complete mandatory training on the Civil Service Code principles, with emphasis on their responsibilities under the Bribery Act 2010.

The Department's standards of behaviour policy outlines expectations for conduct and behaviour, including bribery, fraud and theft. In addition, a dedicated anti-bribery and corruption policy aligns with the GovS 013 Counter Fraud functional standard.

Better regulation

The Department is committed to the principles of better regulation, ensuring we fulfil our responsibilities to safeguard children and young people, ensure they have a good education, and enforce standards. We do this through internal scrutiny of policy initiatives to ensure that regulations which impact business and civil society are both proportionate and are introduced only where there is a clear case for doing so. Stakeholders in these sectors include childminders, nurseries, independent schools, higher education providers and FE colleges.

The Department has continued to promote effective policy making through robust assessment of evidence and proportionate impact assessments.

Post-implementation reviews

The Department published the following post-implementation review:

- [Independent Educational Provision in England \(Provision of Information\) and Non-Maintained Special Schools \(England\) and Independent School Standards \(Amendment\) Regulations 2018](#)⁶³

Alternatives to regulation

The Department wants to ensure that all regulations are fair and effective. Complying with regulation costs businesses time and money, and red tape can make running businesses unnecessarily difficult. The Department's policy to delivery provides a framework for improving policymaking. Understanding the purpose of the policy, the role of government, the evidence base, and the creativity and deliverability of the policy are the approaches used by policy makers to consider alternative approaches, tools and methods.

Fire, health and safety

The Department is committed to safeguarding the health, safety and wellbeing of staff, contractors and all others who are affected by its activities, in compliance with the Health and Safety at Work etc. Act 1974.

We recognise that effective fire, health and safety management enhances business performance, supports strategic objectives and promotes staff wellbeing. Proportionate

63 <https://www.legislation.gov.uk/ukia/2024/66>

health and safety risk management is key to preventing harm and ensuring efficient service delivery.

Over the past year we have strengthened our safety culture by introducing an enhanced display screen equipment process. We have invested in training by providing the Institution of Occupational Safety and Health's safety for executives and directors and continued our first aid and fire warden training programme.

We also implemented a new health and safety online system to support legal compliance and are continuously refining our policies and guidance to ensure clarity and support for staff.

Table 29: Accident and incident volumes for the last five years

| Category | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---|-----------|-----------|-----------|----------|-----------|
| | Number | Number | Number | Number | Number |
| Total employee accidents or incidents | 16 | 14 | 18 | 1 | 4 |
| Total non-employee, member of public, or detainee accidents and incidents | 1 | – | – | 2 | 22 |
| Total near misses | 10 | 8 | 3 | 4 | 1 |
| Total injuries, deaths, and dangerous occurrences | – | – | – | – | – |
| Total | 27 | 22 | 21 | 7 | 27 |

The statistics indicate an increase in reported accidents, incidents and near misses compared to the previous year. We actively use this data to review our policies, with the rise in near-miss reporting helping to improve our safety culture and prevent future accidents.

Personal data breaches

All government departments are required to report personal data breaches to the ICO that occurred during the financial year, in accordance with the standard disclosure format issued by Cabinet Office. The disclosures outlined cover the Department and its Agencies since the Department's Office of Data Protection Officer (ODPO) is responsible for data reporting for all four bodies.

A 'personal data breach' is defined as a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of or access to personal data transmitted, stored or otherwise processed. Personal data breaches are required by law to be reported to the ICO within 72 hours of discovery where there is a likely risk to data subjects. The five personal data breaches formally notified to the ICO this year are summarised below.

Table 30: Summary of personal data breaches reported to the ICO for the last four years

| Incident type | 2024-25 | 2023-24 | 2022-23 | 2021-22 |
|--|---------------|-----------|---------------|--------------|
| | Number | Number | Number | Number |
| Data emailed to incorrect recipient | 2 | 2 | – | 1 |
| Data posted or faxed to incorrect recipient | – | 1 | – | 1 |
| Loss or theft of paperwork or data left in insecure location | – | 1 | – | – |
| Other non-cyber incidents | – | 1 | – | – |
| Personal data incorrectly shared | 3 | 2 | – | – |
| Data of wrong data subject shown in client portal | – | 1 | – | – |
| Lost or theft of device containing personal data | – | – | 1 | – |
| Ransomware | – | – | 1 | – |
| Processing personal data on a non-departmental device | – | – | – | 1 |
| Other | – | – | – | 4 |
| Total | 5 | 8 | 2 | 7 |
| Number of data subjects potentially affected | 84,532 | 20 | 54,858 | 1,648 |

Other data breaches

Table 31 summarises the total number of personal data breaches reported this year. Incidents which do not fall within the criteria for reporting to the ICO, but are recorded centrally within the Department, are included. Incidents deemed to be a near-miss, or those not involving personal data, are not included.



Table 31: Personal data breaches for the last four years

| Incident type | 2024-25 | 2023-24 | 2022-23 | 2021-22 |
|--|------------|------------|------------|------------|
| | Number | Number | Number | Number |
| Alteration of personal data | 1 | 1 | – | – |
| Data or email sent to incorrect recipient | 117 | 95 | 73 | 86 |
| Data of wrong 'data subject' shown or provided | 6 | 28 | 23 | – |
| Data posted or faxed to incorrect recipient | 6 | 3 | 11 | 20 |
| Failure to redact or use the blind copy function | 12 | 26 | 34 | 32 |
| Incorrect disposal of paperwork | – | 1 | – | – |
| Insecure sharing or storage of personal data | 16 | 8 | 22 | 16 |
| Loss or theft of device containing personal data | – | – | 3 | – |
| Loss or theft of paperwork or data left in insecure location | 5 | 6 | 4 | 1 |
| Other non-cyber incident | 23 | 22 | 27 | 33 |
| Personal data incorrectly shared | 75 | 32 | 19 | 11 |
| Personal data retained for too long | 1 | – | 2 | – |
| Unauthorised access | 1 | 3 | 6 | – |
| Cyber | 1 | 5 | 7 | – |
| Verbal disclosure of personal data | – | – | – | 6 |
| Total | 264 | 230 | 231 | 205 |

This year, over a third of the reported incidents involved personal data being emailed to incorrect recipients. Other incidents included the failure to use the blind copy function or adequately redact personal information. Additionally, there has been an increase in the incorrect sharing of personal data throughout the year.

The ODPO provided training and guidance to limit or reduce the number of breaches. Additional controls will be put in place next year, which should further reduce the number of breaches. Where incidents occurred, advice and guidance is provided to prevent recurrence.

The information contained in the table above relates to personal data security for the Department and its Agencies only. The Department's Agencies and NDPBs also report personal data related incidents in their own ARAs as required.

Departmental correspondence

Government departments have a 95% target for answering correspondence within 20 working days. The Department has set itself a target of replying to 95% of 'treat official' correspondence within 15 working days and ministerial correspondence within 18 working days.

Whilst there was a small decrease (from 82% to 79%) in the treat official correspondence answered within the Department's internal deadline of 15 days, the percentage responded to within 20 days increased for a fourth successive year to 92%. The percentage of ministerial correspondence answered improved for a second year against both measures (77% within 18 days and 81% within 20 days).

Freedom of information requests have a deadline of 20 working days as governed by ICO. The Department answered 86% of these requests on time, an increase of 11% from the previous year.

Although we did not meet our targets this year, we have implemented actions to address performance, including the automated logging of correspondence and investigating areas which can be supported by technology in future.

Table 32: Treat official correspondence for the last five years

| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---------------------------------|---------|---------|---------|---------|---------|
| Internal 15-day deadline | | | | | |
| Number | 20,559 | 18,264 | 21,463 | 22,977 | 30,904 |
| Deadline met | 79% | 82% | 69% | 51% | 51% |
| 20-day deadline | | | | | |
| Deadline met | 92% | 91% | 80% | 64% | 61% |

Table 33: Ministerial correspondence for the last five years

| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---------------------------------|---------|---------|---------|---------|---------|
| Internal 18-day deadline | | | | | |
| Number | 8,031 | 7,637 | 9,795 | 10,014 | 28,298 |
| Deadline met | 77% | 74% | 53% | 71% | 24% |
| 20-day deadline | | | | | |
| Deadline met | 81% | 78% | 58% | 74% | 39% |

Table 34: Freedom of information requests for the last five years

| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|------------------------|---------|---------|---------|---------|---------|
| 20-day deadline | | | | | |
| Number | 2,820 | 2,835 | 2,281 | 2,237 | 2,330 |
| Deadline met | 86% | 75% | 79% | 73% | 78% |

Communications, publicity and advertising

This year, the Department reshaped its communications to support the new government's mission-led approach, as outlined in its Plan for Change. In support of the Opportunity Mission, communications activity focused on joined-up national campaigns and engagement to support delivery across the four mission pillars.

The Department's communications team has continued to play an important role in helping to build trust in government and as a lever for change, in line with the Government Communication Service's core objectives:

- changing attitudes and behaviour of parents, pupils and students, adult learners, employers and teachers – and the future workforce in schools, colleges and childcare

- delivering effective service to the public and meeting the Department's responsibilities as a department of state
- protecting and improving the Department's reputation, including crisis response
- explaining our policies through media and social content
- informing and engaging our staff

Most communication activity is delivered 'in-house' at no additional cost, as part of cross-government campaigns or at low cost by supporting and co-ordinating partners' activity.

Table 35: Communications Directorate's staffing and spend for the last five years

| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|--------------------------|---------|---------|---------|---------|---------|
| Number of staff | 67 | 73 | 75 | 75 | 83 |
| Spend on activity (£000) | 309 | 507 | 332 | 288 | 1,422 |

Complaints

Complaints policy

The Department publishes its [complaints procedure policy and guidance](#)⁶⁴, including how to [complain about a school](#)⁶⁵ and how the complaint will be handled.

While the current policy remains unchanged, a review has been completed with updates set to be implemented next year.

Complaints to the Parliamentary Ombudsman

The Parliamentary and Health Service Ombudsman considers complaints about a service provided by the department or an organisation acting on their behalf, providing that the body falls within its jurisdiction and that the complaint has been referred by an MP. Cases relating to local authorities and state-funded schools (where most of our services are delivered to the public) are normally outside the Ombudsman's jurisdiction.

Table 36 presents extracts from published Ombudsman reports, with the latest available data being [2023-24](#).⁶⁶ The years included in the table refer to the financial years the Ombudsman reports on. As complaints may be resolved in a different year than when first raised, the number of complaints accepted for review may not align with the total investigation outcomes.

64 <https://www.gov.uk/government/organisations/department-for-education/about/complaints-procedure>

65 <https://www.gov.uk/complain-to-dfe>

66 <https://www.ombudsman.org.uk/publications/annual-data-complaints-made-parliamentary-and-health-service-ombudsman-2023-2024>

Table 36: Complaints reported by the Ombudsman

| | 2023-24 | 2022-23 | 2021-22 |
|---|---------|---------|---------|
| | Number | Number | Number |
| Complaints received | 249 | 211 | 212 |
| Complaints accepted for investigation | 2 | 5 | 5 |
| Detailed investigations reported on by Ombudsman: | | | |
| upheld in full | 3 | 2 | 1 |
| upheld in part | 1 | 2 | 2 |
| not upheld | – | – | 1 |
| Ombudsman recommendations: | | | |
| complied with | 2 | 2 | 5 |
| not complied with | – | – | – |

Effectiveness of whistleblowing arrangements

The Department has stringent whistleblowing processes and procedures in place and is in the process of reviewing and updating the policy to simplify the process, to ensure feedback is sought from those who raise concerns and clarify roles.

The Department has a dedicated whistleblowing mailbox to monitor and progress cases promptly. In addition, there are six nominated officers who are available to offer impartial advice and support.

This year twelve whistleblowing cases were raised, an increase of eight cases from the previous year, due to increased communications and awareness. Four cases remain under investigation.

Annex B – Sustainability reporting

Background

The Group has three separate exposures to climate change and sustainability:

- the activities of our corporate estate and operational policy, monitored via the GGCs
- our policy responsibility for the education and CSC sectors
- our policy responsibility for the education estate, out of scope for GGCs

A refreshed corporate sustainability strategy in 2025 will ensure the Department continues to successfully comply with our obligations as well as being clear on how the Department's staff can support us, so that sustainability is embedded in everything we do.

We recognise the contribution we can make to help create a sustainable future through education, developing the skills needed for a green economy, supporting our sectors reach net zero targets and furthering our work in sustainable development in our school building programmes. We aspire to lead our organisation and our sectors towards a more sustainable future, as well as being active contributors to cross-government priority outcomes, strategies and programmes.

Plans are in development with a vision of supporting brilliant education and care outcomes through an education estate that is safe, sustainable, suitable and sufficiently sized.

Scope of disclosures

This year's disclosures have been prepared in accordance with HMT's TCFD implementation guidance – phase 2, FReM and the Sustainability Reporting Guidance 2024-25.

As required by the reporting guidance, the detailed data in this annex refers to the corporate body GGC responsibilities and the data includes all Group bodies (see note [24](#)). No exemptions were identified during the year; all Group bodies are in-scope for GGC disclosures. Accordingly, some public bodies in education sectors (for example Ofsted, Ofqual, schools and colleges) are excluded from these GGC disclosures since they are not part of the Department's financial reporting group covered by this ARA.

In accordance with the guidance, all disclosures are for this financial year unless otherwise noted. Departures from this reporting period are explained. The Department is unable to report data from locations where property owners are not obliged to provide it, and some data will be estimated.

The data shows the position for this year against a 2017-18 baseline, using data available up to March 2025. Our sustainability performance data is audited internally by Department for Environment, Food and Rural Affairs (Defra) environmental analysts.

The Group has been unable to collect, and apportion across Group bodies, financial information for the sustainability disclosures for the year. The Group continues to work with the third-party suppliers who manage the Group's sustainability activities with the aim to provide the disclosures for next year's ARA.

Greening government commitments

The Department is committed to a number of targets including the mandatory GGCs for reducing energy, water, paper, travel emissions and waste management. These targets were updated in 2021-22 and the current reporting period represents the final year of the current GGC framework, with a new framework due to come into effect during next year.

The Department has been set the following environmental sustainability targets based on the baseline:

- greenhouse gas emissions, achieve a 56% reduction in total emissions (scopes 1-3) and a 36% reduction in direct emissions (scope 1)
- water consumption, reduce overall water usage by more than 8%
- waste management, send less than 5% of waste to landfill and ensure at least 70% is recycled

Scope

The data below shows the Group's present position for this year against the baseline (unless otherwise stated).

Governance and data validation

We undertake a stringent monitoring regime in relation to GGC performance management, working closely with GPA as property asset managers, and our Agencies and NDPBs. This is supplemented by periodic audits conducted by GIAA, reported to the Accounting Officer via the Department's finance function. Internal and cross-governance arrangements are also in place for the phases of development and delivery of initiatives set out within the Department's sustainability and climate change strategy. These are regularly reviewed by GIAA.

In addition to the internal governance process, external audits are also undertaken to assure processes and systems including methodologies for recording, analysing, and verifying data, as well as the calculations for quarterly GGC returns. These external validation audits are carried out by Defra's internal GGC audit team.

The majority of this report has been compiled using accurately measured data, verified through internal controls. This includes checking samples of automatically generated meter-reading data with manual meter reads. Where complete data sets have not been available, (for example through lack of detail or due to landlord service charges), internal benchmark figures have been applied based on known parameters and data sets.

The overall responsibility for sustainability sits with the Department. Internal data validation checks have been carried out by the Department. In order to report the greenhouse gas emissions associated with data such as distance travelled, litres of fuel used, or tonnes of waste disposed has been converted into carbon emissions. The greenhouse gas conversion factors used in this report can be found in the government environmental impact reporting requirements for business.

The Department reports greenhouse gas emissions in line with the GGCs and uses Department for Energy Security and Net Zero's carbon conversion factors. These methodologies align with the greenhouse gas protocol principles. The GGC reporting boundary includes all departmental operations as defined by the GGC framework. There have been no changes to the basis of reporting this year.

Summary GGC performance

The following figures present summaries of performance against the GGC quantitative targets which largely relate to office estate-based activities (the first target also includes scope 3 business travel emissions). The years between 2017-18 and 2022-23 are not part of the current target. Performance indicators for these years relate to the [previous GGC targets](#).⁶⁷ Annual performance is measured against the baseline year and is not a cumulative measure.

67 <https://www.gov.uk/government/publications/greening-government-commitments-2016-to-2020>

Figure 43: Reduce overall greenhouse gas emissions (tCO₂e) by 56% and direct emissions (tCO₂e) by 36%

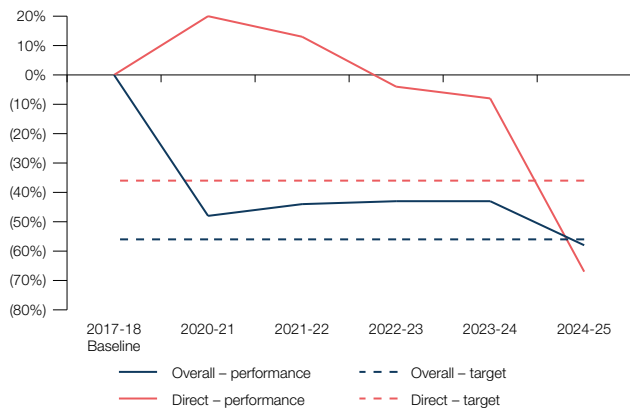


Figure 44: Reduce the overall amount to waste generated by 15% (tonnes)



Figure 45: Increase the proportion of waste which is recycled to at least 70% of overall waste (tonnes)

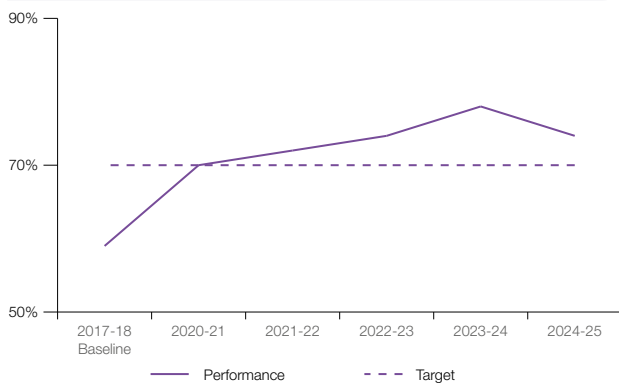
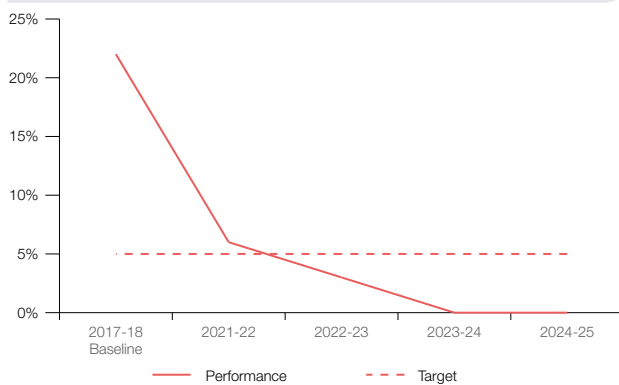


Figure 46: Reduce water consumption (m³) by at least 8%



Figure 47: Reduce the amount of waste (tonnes) going to landfill to less than 5% of overall waste



Achievement against target

This year, the Group has:

- decreased its total in-scope gross greenhouse gas emissions (total emissions – scope 1, 2 and 3) by 58% since the baseline year, against a target reduction of 56%
- decreased its scope 1 gross greenhouse gas emissions by 67% since the baseline year, against a target reduction of 36%

Table 37: Non-financial indicators

| Total gross emissions | Actual performance | | | | | Baseline |
|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 | 2017-18 |
| | tCO ₂ e | tCO ₂ e | tCO ₂ e | tCO ₂ e | tCO ₂ e | tCO ₂ e |
| Scope 1 | 561 | 1,559 | 1,602 | 1,917 | 2,043 | 1,702 |
| Scope 2 | 2,220 | 2,900 | 3,142 | 3,316 | 3,460 | 6,132 |
| Scope 3 | 1,967 | 2,049 | 1,725 | 1,125 | 461 | 3,602 |
| Total | 4,748 | 6,508 | 6,469 | 6,358 | 5,964 | 11,436 |

Emission scopes

The [emission scopes](#)⁶⁸ can be explained as:

- Scope 1 (direct greenhouse gas emissions): these occur from sources owned or controlled by an organisation – for example emissions as a result of combustion in boilers owned or controlled by the organisation and emissions from organisation-owned fleet vehicles.
- Scope 2 (energy indirect emissions): these are emissions a body makes indirectly as a result of electricity consumed which is supplied by another party such as a landlord. For example electricity supply in rented buildings; also includes other purchased indirect emission sources such as heat, steam and cooling.
- Scope 3 (other indirect greenhouse gas emissions): all other emissions which occur as a consequence of activity, but which are not owned or controlled by the accounting entity, this is primarily business travel emissions.

68 <https://www.gov.uk/government/publications/environmental-reporting-guidelines-including-mandatory-greenhouse-gas-emissions-reporting-guidance>

Group operational activities

Table 38: Non-financial indicators

| | Actual performance | | | | | Baseline |
|---------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 | 2017-18 |
| | KWh | KWh | KWh | KWh | KWh | KWh |
| Electricity: | | | | | | |
| non-renewable | 10,345,174 | 13,391,092 | 14,612,000 | 13,989,000 | 13,708,000 | 16,708,000 |
| renewable | 81,998 | 38,267 | 904,000 | 903,000 | 615,000 | 283,000 |
| Gas | 2,842,440 | 8,327,908 | 8,575,000 | 10,318,000 | 11,080,000 | 8,993,000 |
| Gas oil | – | – | – | – | – | 2,000 |
| Steam | 344,480 | 660,298 | 829,000 | 899,000 | 702,000 | 802,000 |
| Diesel | – | – | – | – | – | 13,000 |
| Total | 13,614,092 | 22,417,565 | 24,920,000 | 26,109,000 | 26,105,000 | 26,801,000 |

The current year's reduction in renewable electricity is due to changes in procured energy suppliers under the Crown Commercial Service contracts. The reduction in gas is due to the decarbonisation of assets across the Group portfolio.

Minimising waste and promoting resource efficiency

Table 39: Non-financial indicators

| | Actual performance | | | | | Baseline |
|--|--------------------|------------|------------|------------|------------|------------|
| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 | 2017-18 |
| | tonnes | tonnes | tonnes | tonnes | tonnes | tonnes |
| Hazardous waste | – | – | – | – | – | – |
| Non-hazardous waste: | | | | | | |
| landfill | – | – | 13 | 23 | 5 | 146 |
| reused or recycled | 245 | 382 | 347 | 311 | 231 | 444 |
| composted | 32 | 17 | 21 | 18 | 33 | 8 |
| ICT waste: | | | | | | |
| reused | – | – | – | – | – | – |
| recycled | unknown | unknown | unknown | 29 | 3 | 13 |
| Waste incinerated with energy from waste | 98 | 75 | 86 | 79 | 62 | 127 |
| Total | 375 | 474 | 467 | 460 | 334 | 738 |

The volume of waste has decreased by 48% against a targeted reduction of 15% compared to the baseline year. Zero waste was sent to landfill, surpassing the target of sending less than 5% of waste to landfill. Furthermore, 74% of waste was recycled, exceeding the target of recycling over 70% of total waste.

Water consumption

Table 40: Non-financial indicators

| | Actual performance | | | | | Baseline |
|---|--------------------|---------|---------|---------|---------|----------|
| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 | 2017-18 |
| Total water consumption (m ³) | 36,200 | 32,772 | 28,277 | 22,674 | 57,324 | 71,154 |
| Reduction in usage against baseline | 49% | 54% | 60% | 68% | 19% | N/A |

The Group has decreased water use by 49% against a targeted reduction of 8% compared to the baseline year.

Paper usage

Table 41: Non-financial indicators

| | Actual performance | | | | | Baseline |
|-------------------------------------|--------------------|---------|---------|---------|---------|----------|
| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 | 2017-18 |
| Reams | 5,312 | 7,138 | 11,816 | 12,385 | 12,369 | 27,250 |
| Reduction in usage against baseline | 81% | 74% | 57% | 55% | 55% | N/A |

The Group has decreased paper use by 81% against a targeted reduction of 50% compared to the baseline year.

Travel

Table 42: Non-financial indicators

| | Actual performance | | | | | Baseline |
|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 | 2017-18 |
| | 000s Km | 000s Km | 000s Km | 000s Km | 000s Km | 000s Km |
| Distance travelled | | | | | | |
| Domestic flights | 304 | 246 | 430 | 19 | N/A | N/A |
| International flights: | | | | | | |
| short haul | 279 | 189 | 46 | 14 | N/A | N/A |
| long haul | 695 | 1,021 | 430 | 14 | N/A | N/A |
| Trains | 19,938 | 23,665 | 11,899 | N/A | N/A | N/A |
| Car fleet | – | – | – | – | – | – |
| Total | 21,216 | 25,121 | 12,805 | 47 | N/A | N/A |
| Emissions | tCO₂e | tCO₂e | tCO₂e | tCO₂e | tCO₂e | tCO₂e |
| Domestic flights | 49 | 40 | 56 | 7 | 1 | 130 |
| International flights: | | | | | | |
| short haul | 30 | 20 | – | 7 | N/A | N/A |
| long haul | 64 | 166 | 66 | – | N/A | N/A |
| Trains | 707 | 838 | 426 | N/A | N/A | N/A |
| Car fleet | – | – | – | – | – | – |
| Total | 850 | 1,064 | 548 | 14 | 1 | 130 |

The Group does not operate a vehicle fleet. Greenhouse gas emissions (tCO₂e) figures for last year have been restated.

Table 43: Non-financial indicators

| | Actual performance | | | | | Baseline |
|-----------------------|--------------------|--------------|------------|-----------|------------|------------|
| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 | 2017-18 |
| | 000s Km | 000s Km | 000s Km | 000s Km | 000s Km | 000s Km |
| Economy class | N/A | 979 | 391 | 27 | N/A | N/A |
| Premium economy class | | 42 | 19 | – | N/A | N/A |
| Business class | N/A | 189 | 56 | – | N/A | N/A |
| First class | N/A | – | 10 | – | N/A | N/A |
| Total | N/A | 1,210 | 476 | 27 | N/A | N/A |

Distance data was only collected from 2021-22. The Group's policy on air travel is to restrict it to instances where overall there is value for money compared to other forms of travel when the full cost of travel and subsistence is assessed.

During this year, the structure and content of the Group's travel data underwent changes. Consequently, it is not currently possible to dis-aggregate travel mileage by travel class for that year as presented in the table above. Efforts are underway to refine our data collection and reporting processes, with the objective of providing travel mileage breakdowns by class next year.

Consumer single use plastics

Due to data collect challenges within the supply chain, the Group is unable to disclose single use plastic data for this reporting period. However, restrictions introduced in September 2023 by Defra have eliminated procurement of single use plastics within the catering industry.

ICT waste

The Department continues to leverage technology to reduce its environmental impact. Enhancements to video-conferencing facilities, adoption of softphones and video calling and effective hybrid working have reduced travel needs. A review of cloud hosted services is underway seeking to reduce both expenditure and associated carbon emissions.

ICT waste is managed through contracts ensuring reuse or recycling, with zero landfill disposal.

In the education sector, sustainable ICT solutions will be integrated into new build schools as standard via sustainable procurement, design, implementation and management.

The Department also submits an annual return on the sustainable technology advice and reporting to Defra, supporting government efforts to track ICT carbon emissions and demonstrate progress towards embedding best practice into business operations.

Mitigating and adapting to climate change

To address climate change impacts, GPA has commissioned a climate risk assessment of the Department's office estate. The findings will guide the prioritisation of mitigation and adaptation measures and inform a comprehensive climate risk register. As a GPA tenant, the Department will be consulted on outcomes and will support the implementation of recommended actions.

In alignment with the GGC, the Department is working towards the following headline and sub-targets:

Headline target:

Reduce overall greenhouse gas emissions and direct emissions from the estate and operations, using a 2017-18 baseline as defined by the Department for Energy Security and Net Zero.

Sub-targets:

Government fleet commitment: the Department does not operate a car fleet; therefore, this target is not applicable.

Business travel: the Department is committed to reducing emissions from domestic business flights by at least 30% from the 2017-18 baseline. While international business travel has been baselined, specific reduction targets are not yet in place. These will be introduced in the forthcoming GGC framework for 2025 to 2030.

Biodiversity reporting

In addition to the sustainability reporting outlined here, the Department contributes to Defra's central sustainability reporting. All public authorities are required to consider action they can take to conserve and enhance biodiversity and then take that action.

In partnership with GPA, we are developing a nature recovery plan for the Department's office estate. The plan focuses on enhancing biodiversity through landscape adaptations, including pollinator-friendly plants, green walls and habitats for insect and birds.

Accounting for shared, offset, renewable and sequestered carbon

The Department does not engage in the purchase or utilisation of carbon credits across its office estate.

Reuse schemes

The Department's office estate does not currently operate a formal office furniture reuse scheme. However, where possible, furniture items are reused or refurbished as part of project renovations and office fit-outs, in line with sustainability best practices.

Indirect water use

The Department has assessed its operations and supply chains in line with the sustainability reporting requirements outlined in FReM. Based on this assessment, we do not directly engage in activities that involve significant use of embedded or indirect water.

The Department's core functions are primarily office-based and focused on policy development, funding allocation and oversight of educational institutions. The Department does not operate manufacturing, agricultural or industrial processes that typically involve high levels of embedded water use.

While we procure goods and services that may have embedded water impacts (eg IT equipment and office supplies), these are considered minimal and not material to the Department's overall environmental footprint. We continue to work to ensure that sustainability considerations, including water stewardship, are embedded in supplier engagement and contract management processes.

Sustainable construction

All schools and colleges constructed under our control (termed centrally delivered) follow the Department's detailed specification which includes performance standards on environmental performance and energy. The Department has been successfully delivering good quality, economic and efficient schools for twelve years focusing on simple easy to manage facilities with low running costs. Since 2021, all of the Department's delivered schools are designed to be net zero carbon in operation. As part of our strategy for sustainability and climate change, the Department is committed to net zero carbon in operation for all centrally delivered programmes including the school rebuilding and free school programmes. Projects will be designed to be resilient to climate change under a 2°C global warming scenario and future proofed to a 4°C scenario.

Additionally, we are piloting a range of projects to test initiatives such as access to nature, ultra-low carbon construction and wider use of green infrastructure to improve biodiversity. We have developed the UK's first 'biophilic' primary school, which supports school users to connect with nature through the built environment. The project will act as a real time lesson in improving health and wellbeing. Working in partnership with Derby University, we will gather evidence on how this impacts the health and wellbeing and sustainable literacy of children and young people.

Sustainable procurement

Our commercial teams integrate social and environmental sustainability into their operations, including tendering and contractual requirements, where appropriate. At a strategic level, commercial activity has a SCS sponsor on the Corporate Sustainability Board to coordinate activities relating to sustainability and procurement.

Business cases must consider the environmental impacts of their proposal. The type of environmental assessment required differs depending on the expected impacts. All business cases in scope of the legally binding environmental principles duty require completion of an environmental principles assessment. We consider it is best practice to include an assessment even if the policy is out of scope, for legal audit purposes. Only business cases that identify "significant environmental impacts" are required to undertake a fuller environmental appraisal. The supporting guidance states the "purpose of the economic dimension of the business case is to identify the proposal that delivers best public value to society, including wider social and environmental effects".

Our contracts require suppliers to meet the Government Buying Standards on sustainability. In addition, and where relevant, we apply Cabinet Office guidance on 'Taking account of carbon reduction plans in the procurement of major government contracts'. We also meet the requirements of Cabinet Office procurement policy on 'Taking account of social value in the award of contracts', including fighting climate change to contracts, where applicable. Furthermore, in line with policy on Carbon Reduction Contract Schedule, where relevant, we add a schedule to our contracts which support contract specific decarbonisation objectives.

Commercial staff undertake the Chartered Institute of Procurement and Supply's ethics e-learning, which includes environmental procurement. During the year, 98% of commercial delivery staff undertook this training exceeding the target of 90%.

More broadly, sustainability is part of the Department's assessment and validation criteria for suppliers on procurement frameworks within the get help buying for schools service, to support sustainable purchasing of products and services in schools. We also support schools to purchase from procurement frameworks that offer sustainable goods and services via this service, although schools still retain full autonomy in their contracting decisions.

Sustainable procurement of food and catering services

GPA holds full ownership of onsite office catering contracts, ensuring food is locally sourced and in season, where possible. Catering partners buy food from farming systems that minimise harm to the environment, such as produce certified by LEAF (Linking Environment and Farming), the Soil Association or Marine Stewardship Council. Fairly traded and ethically sourced products are also available.

The amount of animal-based food is being reduced, and caterers ensure that meat, dairy products and eggs purchased are produced to high environmental and animal welfare standards. Palm oil use is also being minimised.

More broadly, we will encourage and support education settings to gather data and take action on food waste and to share their evidence-based best practice for sustainable waste prevention and management. We will also work with Defra and the Waste and Resources Action Programme to share resources for schools and children that support food waste prevention.



Annex C – Student loans

This annex contains breakdowns of the overall student loan disclosures from note [14](#) analysed across the different loan portfolios.

Student loan plans

The Department's student loans are split into different repayment plans depending upon which education sector the borrowers were members of. The plans are as follows:

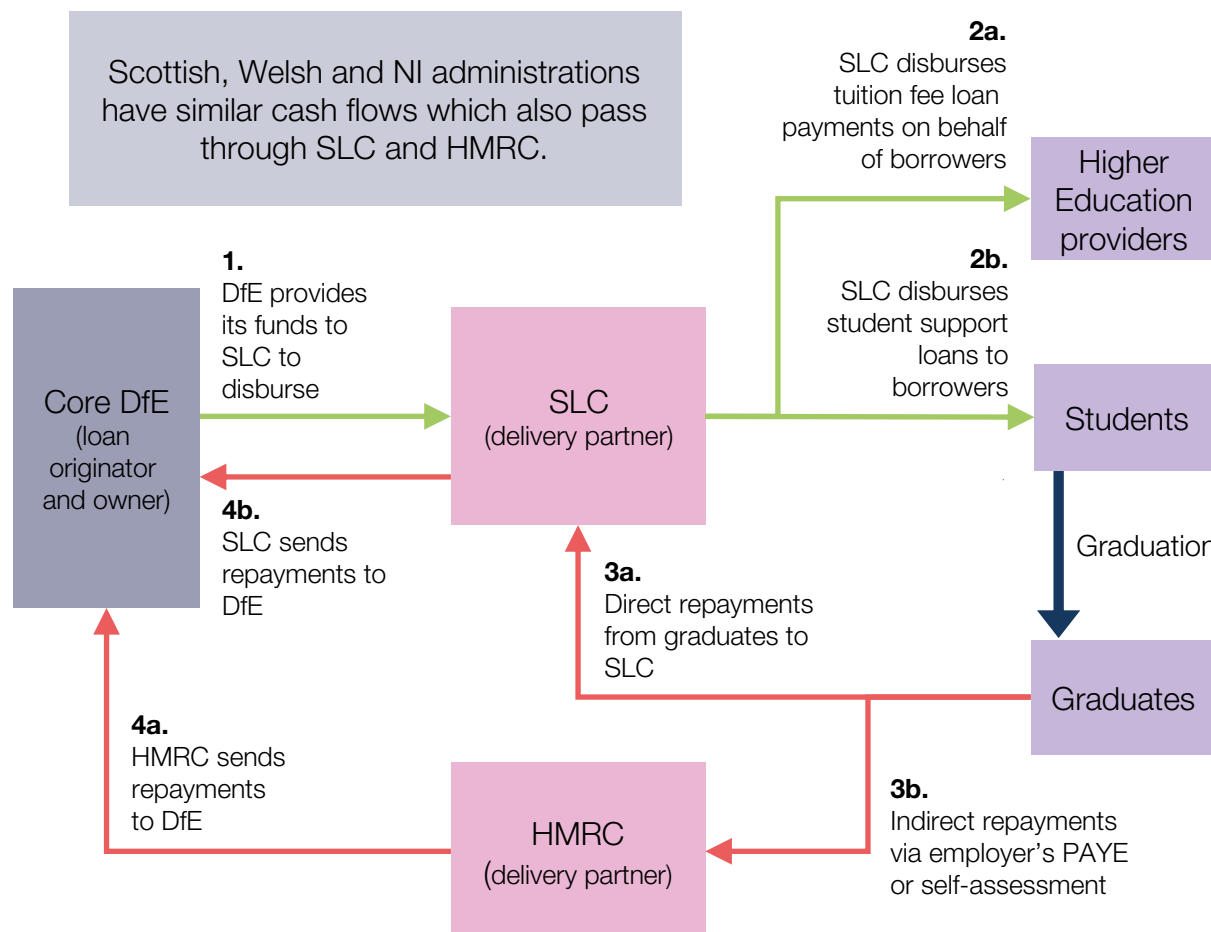
- Plan 1 loans – loans taken out for undergraduate courses that started before 1 September 2012
- Plan 2 loans – loans taken out for new undergraduate courses that started on or after 1 September 2012 until 31 August 2023, including advanced learner loans
- Plan 3 loans – loans for postgraduate master's courses starting on or after 1 August 2016 and postgraduate doctoral courses starting on or after 1 August 2018
- Plan 5 loans – loans taken out for new undergraduate courses that started on or after 1 August 2023, including advanced learner loans

Plan 2 will continue to be a live plan until existing borrowers who started their undergraduate courses on Plan 2 finish their courses.

Plan 4 loans are issued by Student Awards Agency Scotland so do not form part of the Group's activities.

Student loan cash flows

Figure 48: Student loan cash flows analysed through a loan's lifecycle



Student loan cash flows and accounting are complex, involving multiple public sector bodies. The graphic above shows the cash flows generated by loan origination (cash flows 1 and 2) and loan repayment (cash flows 3 and 4) of student loans between the Department (loan owner), SLC (loan administrator), HMRC (repayment collector), students and HE providers.

SLC administers student loans on behalf of the Department, distributing tuition fees to HE providers (on behalf of borrowers) and student support loans directly to borrowers. SLC also administers student loan portfolios for the devolved administrations in Scotland, Wales and Northern Ireland. Student loans originated by the devolved administrations which are administered by SLC are not included in this ARA, they are owned and recognised by the respective administrations.

Repayments are primarily collected by HMRC through the PAYE (via employers) and self-assessment (individuals) tax system. These repayments are then passed on to the Department. SLC also collects voluntary repayments from borrowers, including those living overseas. Acting as loan servicer, SLC forwards the direct repayments to the Department and updates borrowers' loan accounts with the latest information on repayments collected by HMRC or directly by SLC itself.

Student loan spending control

The treatment described here does not affect how student loans are accounted for; annual fair value movements continue to be fully recognised as a gain or loss in SoCNE in the year to which they relate. The spending control, agreed with HMT, operates through the application of a 'management charge' if fair value losses exceed limits agreed with HMT. When levied, the management charge does not represent additional costs to the Department. Instead, the charge changes which budget types the fair value loss is scored to.

The Department and HMT have agreed separate thresholds applicable to the initial fair value loss on loan origination and the annual fair value movement for existing loans. The initial fair value loss exceeded the spending control threshold in 2020-21 and 2021-22 which resulted in the management charge being levied in those years.

Under the agreement, fair value losses in excess of the agreed thresholds are recognised in RAME instead of ringfenced RDEL. Following the initial RDEL-RAME switch, the value is unwound over thirty years through non-ringfenced RDEL, starting the year after the switch. This process has no net effect on the Department's reported outturn in any given year since the balances sum to zero, though there are effects on the separate RAME and RDEL outturn balances.

Carrying values of student loans

The following tables provide additional analysis of the headline movements in carrying value shown in note [14.1](#) across the different loan plans.

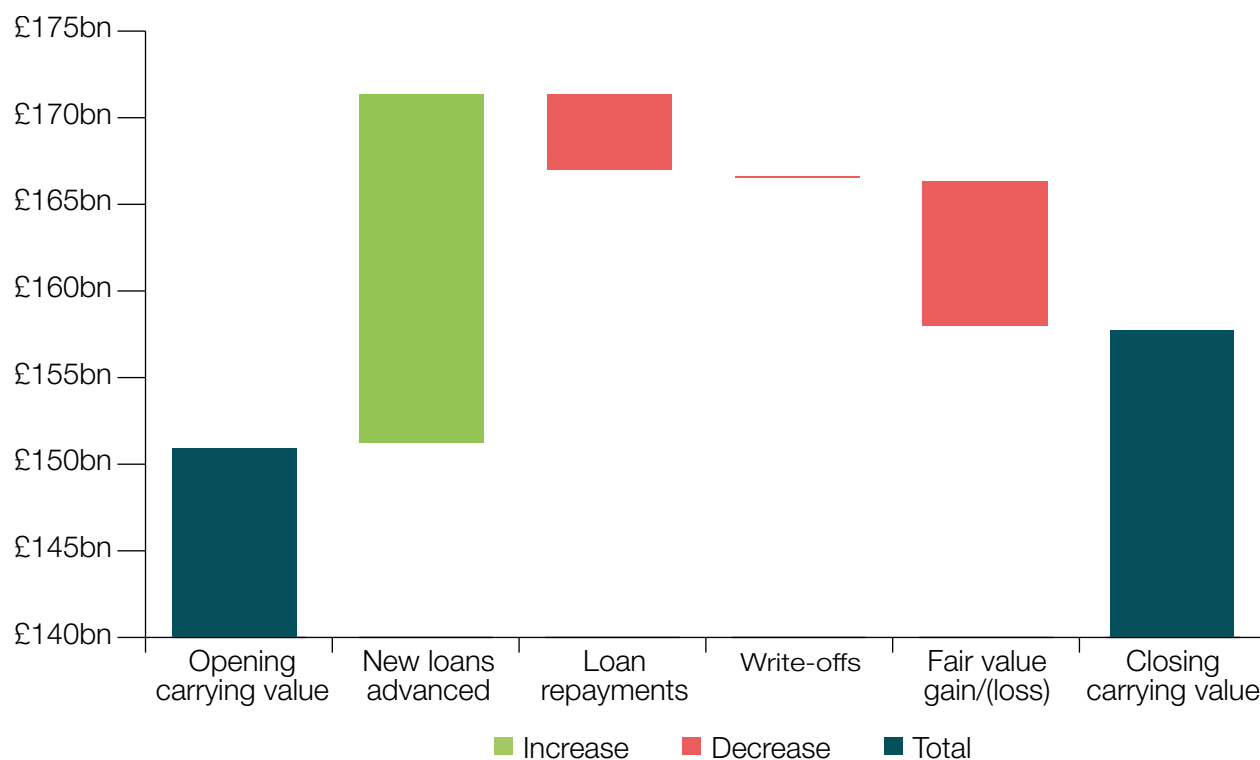
2025

| | Plan 1 loans | Plan 2 loans | Plan 3 loans | Plan 5 loans | Total |
|---------------------------------|---------------|----------------|--------------|---------------|----------------|
| | £m | £m | £m | £m | £m |
| Balance at 1 April 2024 | 13,164 | 127,791 | 6,252 | 3,775 | 150,982 |
| New loans issued | – | 9,671 | 757 | 10,234 | 20,662 |
| Repayments | (1,477) | (2,870) | (441) | (42) | (4,830) |
| Write-offs | (103) | (200) | (6) | (1) | (310) |
| Fair value gain or (loss) | (27) | (5,506) | (415) | (2,690) | (8,638) |
| Balance at 31 March 2025 | 11,557 | 128,886 | 6,147 | 11,276 | 157,866 |
| Disclosed as | | | | | |
| Current assets | 1,384 | 3,472 | 580 | 50 | 5,486 |
| Non-current assets | 10,173 | 125,414 | 5,567 | 11,226 | 152,380 |
| Total | 11,557 | 128,886 | 6,147 | 11,276 | 157,866 |

2024

| | Plan 1 loans | Plan 2 loans | Plan 3 loans | Plan 5 loans | Total |
|---------------------------------|---------------|----------------|--------------|--------------|----------------|
| | £m | £m | £m | £m | £m |
| Balance at 1 April 2023 | 14,662 | 118,158 | 4,984 | – | 137,804 |
| New loans issued | – | 15,769 | 742 | 3,663 | 20,174 |
| Repayments | (1,745) | (2,285) | (363) | (13) | (4,406) |
| Write-offs | (31) | (88) | (2) | – | (121) |
| Fair value gain or (loss) | 278 | (3,763) | 891 | 125 | (2,469) |
| Balance at 31 March 2024 | 13,164 | 127,791 | 6,252 | 3,775 | 150,982 |
| Disclosed as | | | | | |
| Current assets | 1,756 | 2,105 | 372 | – | 4,233 |
| Non-current assets | 11,408 | 125,686 | 5,880 | 3,775 | 146,749 |
| Total | 13,164 | 127,791 | 6,252 | 3,775 | 150,982 |

Figure 49: Current year student loan carrying value movements



Face values of student loans

The following tables provide additional analysis of the headline movements in face value shown in note [14.1](#) across the different loan plans.

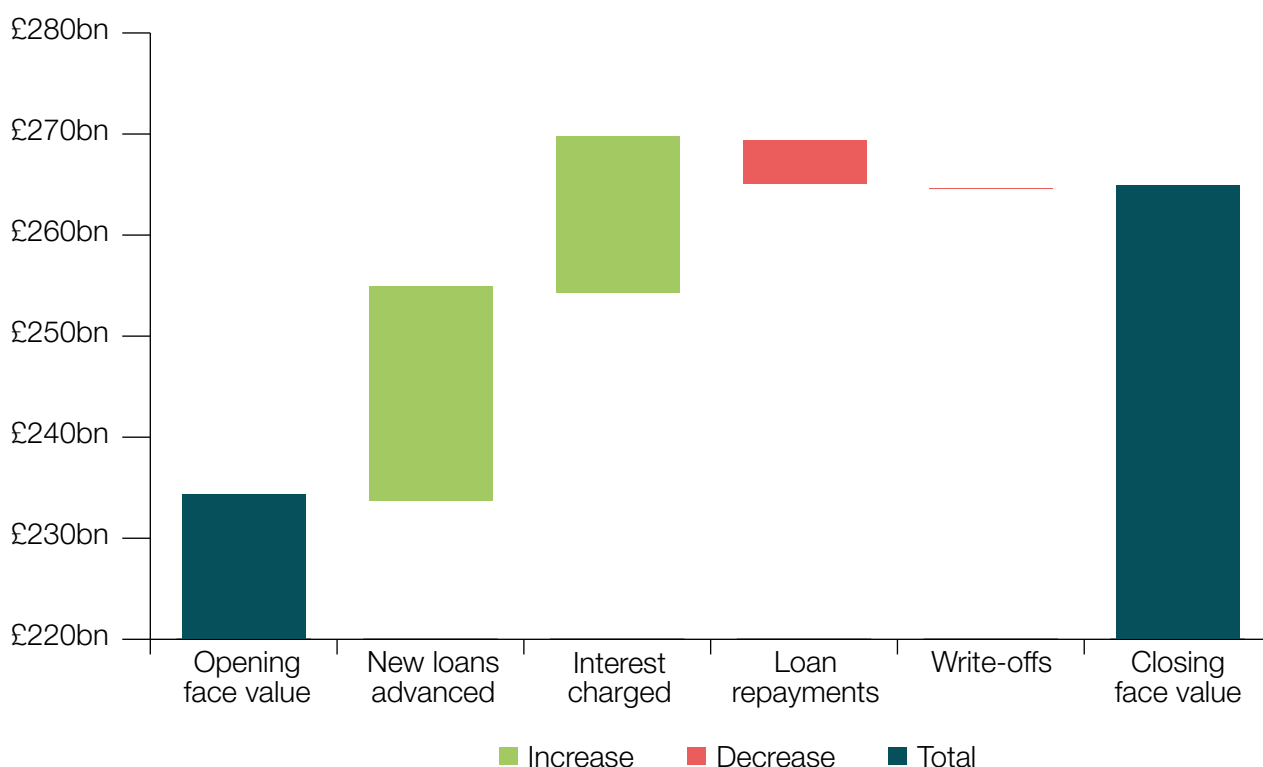
2025

| | Plan 1 loans | Plan 2 loans | Plan 3 loans | Plan 5 loans | Total |
|---------------------------------|---------------|----------------|--------------|---------------|----------------|
| | £m | £m | £m | £m | £m |
| Balance at 1 April 2024 | 28,054 | 196,438 | 5,823 | 3,733 | 234,048 |
| New loans issued | – | 9,671 | 757 | 10,234 | 20,662 |
| Interest charged | 1,356 | 12,771 | 479 | 459 | 15,065 |
| Repayments | (1,477) | (2,870) | (441) | (42) | (4,830) |
| Write-offs | (103) | (200) | (6) | (1) | (310) |
| Balance at 31 March 2025 | 27,830 | 215,810 | 6,612 | 14,383 | 264,635 |

2024

| | Plan 1 loans | Plan 2 loans | Plan 3 loans | Plan 5 loans | Total |
|---------------------------------|---------------|----------------|--------------|--------------|----------------|
| | £m | £m | £m | £m | £m |
| Balance at 1 April 2023 | 28,203 | 170,017 | 5,043 | – | 203,263 |
| New loans issued | – | 15,769 | 742 | 3,663 | 20,174 |
| Interest charged | 1,627 | 13,025 | 403 | 83 | 15,138 |
| Repayments | (1,745) | (2,285) | (363) | (13) | (4,406) |
| Write-offs | (31) | (88) | (2) | – | (121) |
| Balance at 31 March 2024 | 28,054 | 196,438 | 5,823 | 3,733 | 234,048 |

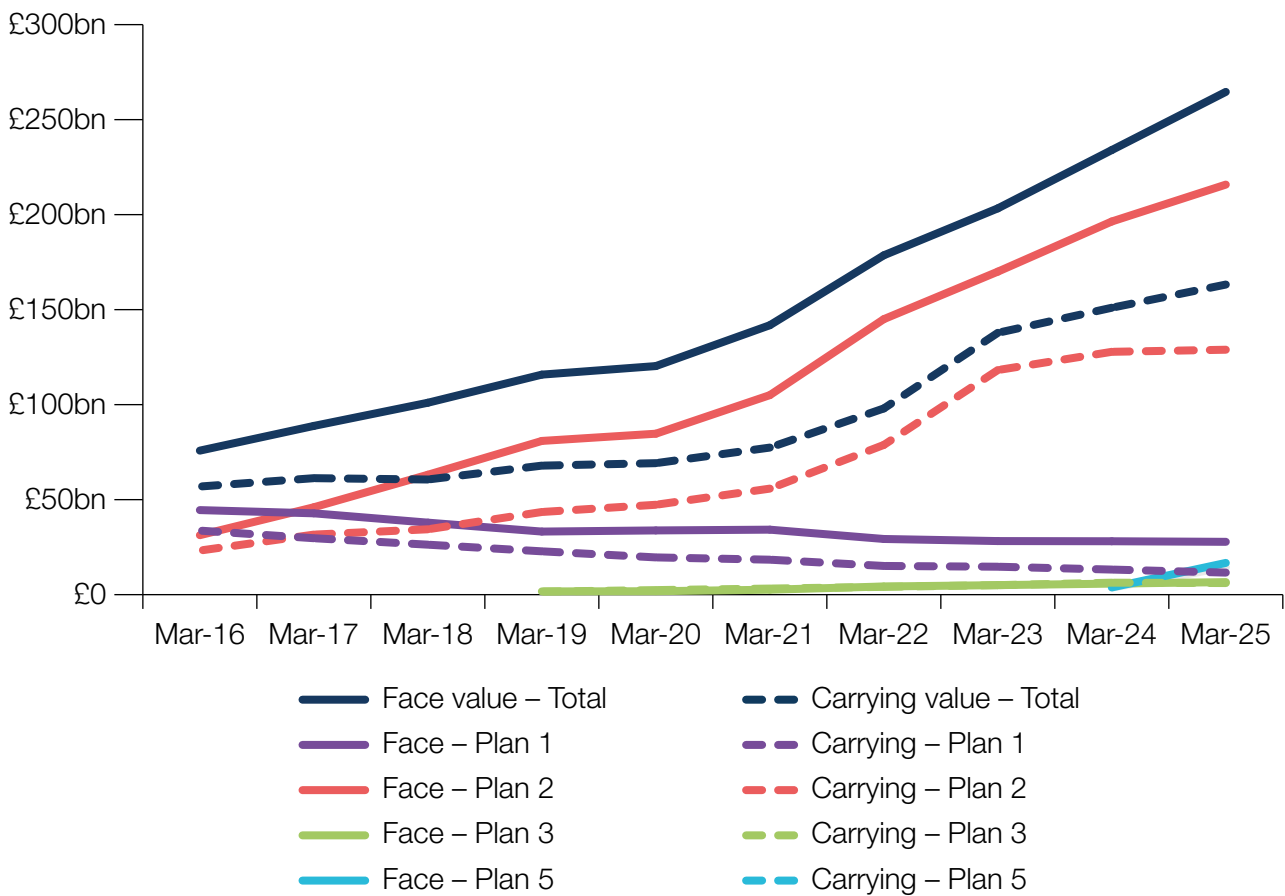
Figure 50: Current year student loan face value movements



Comparison of carrying value to face value

Figure 51 compares the face value of student loans (which equates to what borrowers see) against their carrying value in the ARA, split into the four loan books, over the last nine years. Note 14 and this annex provide reconciliations between face and carrying values. The figure illustrates the closed nature of the Plan 1 loan book, which is now in run-off, and the active status of the Plans 3 and 5 which are still advancing loans. Plan 2 has now closed but will continue to issue a small volume of new loans to existing Plan 2 borrowers. Plan 2’s carrying and face values will start to fall in the near future as it moves fully into run-off.

Figure 51: Comparison of carrying values to face values



Fair value movements

The following tables analyse the headline fair value changes shown in note 14.2 across the different loan plans. The sign convention for losses and gains is consistent with the previous section, losses are positive numbers and gains are negative.

2025

| | Plan 1 loans | Plan 2 loans | Plan 3 loans | Plan 5 loans | Total |
|--|--------------|----------------|--------------|----------------|----------------|
| | £m | £m | £m | £m | £m |
| Overall annual fair value gain or (loss) – calculated | (27) | (5,506) | (415) | (2,690) | (8,638) |
| Which can be disaggregated into the following main drivers: | | | | | |
| initial fair value loss on loan origination | – | (3,110) | (14) | (2,998) | (6,122) |
| annual revaluation fair value loss: | | | | | |
| write-offs | 103 | 200 | 6 | 1 | 310 |
| impact of changes in assumptions and modelling | – | 450 | 147 | (983) | (386) |
| operational costs | 11 | (25) | (1) | (44) | (59) |
| discount rate change | 23 | 241 | 10 | 6 | 280 |
| unwinding of the discount | 296 | 3,231 | 289 | 186 | 4,002 |
| residual fair value movement | (460) | (6,493) | (852) | 1,142 | (6,663) |

2024

| | Plan 1 loans | Plan 2 loans | Plan 3 loans | Plan 5 loans | Total |
|--|--------------|----------------|--------------|--------------|----------------|
| | £m | £m | £m | £m | £m |
| Overall annual fair value gain or (loss) – calculated | 278 | (3,763) | 891 | 125 | (2,469) |
| Which can be disaggregated into the following main drivers: | | | | | |
| initial fair value loss on loan origination | – | (4,688) | (14) | (1,064) | (5,766) |
| annual revaluation fair value loss: | | | | | |
| write-offs | 31 | 88 | 2 | – | 121 |
| impact of changes in assumptions and modelling | – | (423) | 124 | (601) | (900) |
| operational costs | 19 | (126) | (4) | (13) | (124) |
| discount rate change | (203) | (1,795) | (76) | – | (2,074) |
| unwinding of the discount | 485 | 4,525 | 349 | 69 | 5,428 |
| residual fair value movement | (54) | (1,344) | 510 | 1,734 | 846 |

Sensitivity analysis

The tables provide additional analysis of the headline sensitivities shown in note [14.4](#) across the different plans.

Multiple factors

The following tables illustrate the effect of varying more than a single valuation model input. The four situations are as follows:

- scenario 1 – discount rate increased by 0.2%, earnings up by 1%
- scenario 2 – discount rate increased by 0.2%, earnings down by 1%
- scenario 3 – discount rate decreased by 0.2%, earnings up by 1%
- scenario 4 – discount rate decreased by 0.2%, earnings down by 1%

2025

| | Plan 1 loans | Plan 2 loans | Plan 3 loans | Plan 5 loans | Total |
|--------------------------------------|--------------|--------------|--------------|--------------|---------|
| | £m | £m | £m | £m | £m |
| Year end carrying value | 11,557 | 128,886 | 6,147 | 11,276 | 157,866 |
| Impact on carrying value from | | | | | |
| Scenario 1 | 757 | 8,574 | 991 | 323 | 10,645 |
| Scenario 2 | (644) | (8,907) | 978 | (482) | (9,055) |
| Scenario 3 | 937 | 11,088 | 1,100 | 577 | 13,702 |
| Scenario 4 | (493) | (6,788) | 1,088 | (256) | (6,449) |

2024

| | Plan 1 loans | Plan 2 loans | Plan 3 loans | Plan 5 loans | Total |
|--------------------------------------|--------------|--------------|--------------|--------------|---------|
| | £m | £m | £m | £m | £m |
| Year end carrying value | 13,164 | 127,791 | 6,252 | 3,775 | 150,982 |
| Impact on carrying value from | | | | | |
| Scenario 1 | 802 | 8,034 | 399 | 91 | 9,326 |
| Scenario 2 | (662) | (8,893) | 367 | (177) | (9,365) |
| Scenario 3 | 1,034 | 10,970 | 522 | 204 | 12,730 |
| Scenario 4 | (500) | (6,394) | 491 | (76) | (6,479) |

Single factors

RPI

2025

| | Plan 1 loans | Plan 2 loans | Plan 3 loans | Plan 5 loans | Total |
|--------------------------------------|--------------|--------------|--------------|--------------|----------|
| Value applied in year end valuation | 3.45% | 3.45% | 3.45% | 3.45% | |
| | £m | £m | £m | £m | £m |
| Year end carrying value | 11,557 | 128,886 | 6,147 | 11,276 | 157,866 |
| Impact on carrying value from | | | | | |
| An increase in RPI by 1% | (867) | (21,037) | 914 | (1,646) | (22,636) |
| A decrease in RPI by 1% | 1,167 | 24,013 | 1,157 | 1,442 | 27,779 |
| An increase in RPI by 2% | (1,856) | (40,654) | 779 | (3,446) | (45,177) |
| A decrease in RPI by 2% | 2,238 | 46,653 | 1,264 | 2,478 | 52,633 |

2024

| | Plan 1 loans | Plan 2 loans | Plan 3 loans | Plan 5 loans | Total |
|--------------------------------------|--------------|--------------|--------------|--------------|----------|
| Value applied in year end valuation | 4.3% | 4.3% | 4.3% | 4.3% | |
| | £m | £m | £m | £m | £m |
| Year end carrying value | 13,164 | 127,791 | 6,252 | 3,775 | 150,982 |
| Impact on carrying value from | | | | | |
| An increase in RPI by 1% | (1,021) | (21,374) | 264 | (613) | (22,744) |
| A decrease in RPI by 1% | 1,357 | 24,692 | 622 | 564 | 27,235 |
| An increase in RPI by 2% | (2,131) | (40,981) | 79 | (1,261) | (44,294) |
| A decrease in RPI by 2% | 2,594 | 48,615 | 793 | 1,002 | 53,004 |

Loan repayment threshold

2025

| | Plan 1 loans | Plan 2 loans | Plan 3 loans | Plan 5 loans | Total |
|--|--------------|--------------|--------------|--------------|---------|
| Value applied in year end valuation | 24,990 | 27,295 | 21,000 | 25,000 | |
| | £m | £m | £m | £m | £m |
| Year end carrying value | 11,557 | 128,886 | 6,147 | 11,276 | 157,866 |
| Impact on carrying value from | | | | | |
| An increase in the threshold by £1,000 | (223) | (2,202) | 1,039 | (111) | (1,497) |
| A decrease in the threshold by £1,000 | 471 | 4,131 | 1,038 | 224 | 5,864 |

2024

| | Plan 1 loans | Plan 2 loans | Plan 3 loans | Plan 5 loans | Total |
|--|--------------|--------------|--------------|--------------|---------|
| Value applied in year end valuation | 24,990 | 27,295 | 21,000 | 25,000 | |
| | £m | £m | £m | £m | £m |
| Year end carrying value | 13,164 | 127,791 | 6,252 | 3,775 | 150,982 |
| Impact on carrying value from | | | | | |
| An increase in the threshold by £1,000 | (275) | (2,327) | 420 | (37) | (2,219) |
| A decrease in the threshold by £1,000 | 612 | 4,405 | 465 | 68 | 5,550 |

Budgetary performance (outturn)

The following tables provide an analysis of the current year budgetary outturn for student loans across the different plans and budget categories. Positive numbers represent costs or losses, whereas negative numbers indicate benefits or gains. The tables begin with the total outturn reported for student loans broken down by activity type and then by budget class. Follow-on tables then provide further analysis of each activity type by budget class.

2025

Summary values

| | Plan 1 loans | Plan 2 loans | Plan 3 loans | Plan 5 loans | Total |
|---|--------------|---------------|--------------|---------------|---------------|
| | £m | £m | £m | £m | £m |
| Outturn by activity type | | | | | |
| Net lending | (18) | 19,772 | 801 | 10,652 | 31,207 |
| Fair value (gain) or loss on loan origination | – | 3,110 | 14 | 2,998 | 6,122 |
| Annual fair value (gain) or loss | 27 | 2,396 | 401 | (308) | 2,516 |
| Total | 9 | 25,278 | 1,216 | 13,342 | 39,845 |
| Outturn by budget class | | | | | |
| CAME | (121) | 19,572 | 795 | 10,651 | 30,897 |
| RAME | (319) | (3,256) | (316) | 66 | (3,825) |
| RDEL | 449 | 8,962 | 737 | 2,625 | 12,773 |
| Total | 9 | 25,278 | 1,216 | 13,342 | 39,845 |

Further analysis

| | Plan 1 loans | Plan 2 loans | Plan 3 loans | Plan 5 loans | Total |
|--|--------------|---------------|--------------|---------------|---------------|
| | £m | £m | £m | £m | £m |
| Net lending | | | | | |
| CAME | | | | | |
| Loan advances | – | 9,671 | 757 | 10,234 | 20,662 |
| Repayments | (1,477) | (2,870) | (441) | (42) | (4,830) |
| Capitalised interest | 1,356 | 12,771 | 479 | 459 | 15,065 |
| Write-offs | 103 | 200 | 6 | 1 | 310 |
| Total | (18) | 19,772 | 801 | 10,652 | 31,207 |
| Fair value (gain) or loss on loan origination | | | | | |
| RDEL | | | | | |
| Impact of policy changes | – | 3 | – | 14 | 17 |
| Residual value change | – | 2,820 | 12 | 2,648 | 5,480 |
| RAME | | | | | |
| Impact of discount rate change | – | 287 | 2 | 336 | 625 |
| Sub-total | – | 3,110 | 14 | 2,998 | 6,122 |
| Annual fair value (gain) or loss | | | | | |
| RDEL | | | | | |
| Modelling differences | – | (379) | (128) | 1,061 | 554 |
| Operational costs movement | (11) | 25 | 1 | 44 | 59 |
| Residual value change | 460 | 6,493 | 852 | (1,142) | 6,663 |
| RAME | | | | | |
| Unwinding the discount | (296) | (3,231) | (289) | (186) | (4,002) |
| Impact of discount rate change | (23) | (241) | (10) | (6) | (280) |
| Modelling differences | – | (71) | (19) | (78) | (168) |
| CAME | | | | | |
| Write-offs | (103) | (200) | (6) | (1) | (310) |
| Sub-total | 27 | 2,396 | 401 | (308) | 2,516 |
| Total fair value (gain) or loss | 27 | 5,506 | 415 | 2,690 | 8,638 |

2024

Summary values

| | Plan 1 loans | Plan 2 loans | Plan 3 loans | Plan 5 loans | Total |
|---|--------------|---------------|--------------|--------------|---------------|
| | £m | £m | £m | £m | £m |
| Outturn by activity type | | | | | |
| Net lending | (87) | 26,597 | 784 | 3,733 | 31,027 |
| Fair value (gain) or loss on loan origination | - | 4,688 | 14 | 1,064 | 5,766 |
| Annual fair value (gain) or loss | (278) | (925) | (905) | (1,189) | (3,297) |
| Total | (365) | 30,360 | (107) | 3,608 | 33,496 |
| Outturn by budget class | | | | | |
| CAME | (118) | 26,509 | 782 | 3,733 | 30,906 |
| RAME | (282) | (2,678) | (307) | (58) | (3,325) |
| RDEL | 35 | 6,529 | (582) | (67) | 5,915 |
| Total | (365) | 30,360 | (107) | 3,608 | 33,496 |

Further analysis

| | Plan 1 loans | Plan 2 loans | Plan 3 loans | Plan 5 loans | Total |
|--|--------------|---------------|--------------|----------------|----------------|
| | £m | £m | £m | £m | £m |
| Net lending | | | | | |
| CAME | | | | | |
| Loan advances | - | 15,769 | 742 | 3,663 | 20,174 |
| Repayments | (1,745) | (2,285) | (363) | (13) | (4,406) |
| Capitalised interest | 1,627 | 13,025 | 403 | 83 | 15,138 |
| Write-offs | 31 | 88 | 2 | - | 121 |
| Total | (87) | 26,597 | 784 | 3,733 | 31,027 |
| Fair value (gain) or loss on loan origination | | | | | |
| RDEL | | | | | |
| Impact of policy changes | - | 5 | - | 3 | 8 |
| Residual value change | - | 4,462 | 13 | 1,001 | 5,476 |
| RAME | | | | | |
| Impact of discount rate change | - | 221 | 1 | 60 | 282 |
| Sub-total | - | 4,688 | 14 | 1,064 | 5,766 |
| Annual fair value (gain) or loss | | | | | |
| RDEL | | | | | |
| Modelling differences | - | 592 | (89) | 650 | 1,153 |
| Operational costs movement | (19) | 126 | 4 | 13 | 124 |
| Residual value change | 54 | 1,344 | (510) | (1,734) | (846) |
| RAME | | | | | |
| Unwinding the discount | (485) | (4,525) | (349) | (69) | (5,428) |
| Impact of discount rate change | 203 | 1,795 | 76 | - | 2,074 |
| Modelling differences | - | (169) | (35) | (49) | (253) |
| CAME | | | | | |
| Write-offs | (31) | (88) | (2) | - | (121) |
| Sub-total | (278) | (925) | (905) | (1,189) | (3,297) |
| Total fair value (gain) or loss | (278) | 3,763 | (891) | (125) | 2,469 |

Annex D – Regulatory reporting

The Core Tables represent expenditure for resource and capital, set for each year in the spending review process (amended to incorporate transfers of functions to other government departments as they have arisen). These tables are not reported on the same basis as the financial statements disclosures, with differing categories and headings based on the Department's Estimate allocation of activities and budgeting not financial reporting terms. The Core Tables are produced automatically from the HMT system (Online System for Central Accounting and Reporting (OSCAR)) which is used by all central government departments to record their spending and plans. At 31 March 2025, OSCAR reflects the position agreed at the 2024 Budget. This does not match the outturn in previous years' financial statements, and some spending may also appear on different lines, this may frequently result in restatement of the previous years' Core Table figures.

Table 1: Total Departmental Group spending

Summary

| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|------------------------------------|----------------|---------------|---------------|----------------|----------------|----------------|
| | Outturn | Outturn | Outturn | Outturn | Outturn | Plans |
| | £m | £m | £m | £m | £m | £m |
| Budget | | | | | | |
| Resource DEL | 75,220 | 72,946 | 67,155 | 87,627 | 102,122 | 100,620 |
| Resource AME | 1,768 | (5,180) | (14,314) | (3,327) | (3,818) | (4,038) |
| Total resource | 76,988 | 67,766 | 52,841 | 84,300 | 98,304 | 96,582 |
| Capital DEL | 4,830 | 4,798 | 5,948 | 6,636 | 5,602 | 6,776 |
| Capital AME | 21,144 | 21,863 | 24,828 | 30,913 | 30,907 | 29,751 |
| Total capital | 25,974 | 26,661 | 30,776 | 37,549 | 36,509 | 36,527 |
| Total Departmental spending | 102,962 | 94,427 | 83,617 | 121,849 | 134,813 | 133,109 |
| Of which: | | | | | | |
| total DEL | 80,050 | 77,744 | 73,103 | 94,263 | 107,724 | 107,396 |
| total AME | 22,912 | 16,683 | 10,514 | 27,586 | 27,089 | 25,713 |

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

Resource spending

| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|---|---------------|---------------|---------------|---------------|----------------|----------------|
| | Outturn | Outturn | Outturn | Outturn | Outturn | Plans |
| | £m | £m | £m | £m | £m | £m |
| Resource DEL | | | | | | |
| A Activities to Support all Functions | 437 | 496 | 532 | 510 | 532 | 669 |
| B Other School Funding (Department) | 1,050 | 851 | 1,034 | 902 | 1,109 | 1,275 |
| C Other School Funding (ALB) (net) | 2 | 2 | 3 | 8 | 13 | 13 |
| D Families and Children Services (Department) | 908 | 411 | 509 | 747 | 1,146 | 770 |
| E Families and Children Services (ALB) (net) | 10 | 12 | 16 | 19 | 15 | 17 |
| F Standards and Testing Agency | 22 | 25 | 44 | 47 | 50 | 56 |
| G Teaching Regulation Agency | 7 | 8 | 10 | 14 | 17 | 14 |
| H Education and Skills Funding Agency | 137 | 123 | 74 | 89 | 43 | – |
| I Apprenticeships | 1,863 | 2,455 | 2,464 | 2,512 | 2,781 | 3,075 |
| J Grants to LA Schools and Early Years | 31,469 | 32,101 | 33,906 | 35,600 | 38,410 | 44,303 |
| K Grants to Academies | 25,252 | 27,177 | 29,581 | 32,662 | 35,811 | 36,062 |
| L Higher Education | 7,247 | 2,331 | (8,623) | 6,710 | 13,668 | 6,194 |
| M Further Education | 5,196 | 5,319 | 5,923 | 6,067 | 6,781 | 6,490 |
| N Higher Education (ALB) (net) | 1,599 | 1,612 | 1,654 | 1,711 | 1,717 | 1,653 |
| O Further Education (ALB) (net) | 21 | 23 | 28 | 29 | 29 | 29 |
| Total resource DEL | 75,220 | 72,946 | 67,155 | 87,627 | 102,122 | 100,620 |
| Of which: | | | | | | |
| staff costs | 606 | 659 | 727 | 746 | 759 | 629 |
| purchase of goods and services | 614 | 868 | 1,003 | 1,152 | 1,211 | 938 |
| income from sale of goods and services | (139) | (82) | (82) | (85) | (84) | (2) |
| current grants to central government (net) | 25,854 | 27,540 | 29,928 | 38,645 | 42,187 | 43,078 |
| current grants to local government (net) | 32,127 | 32,595 | 34,767 | 36,418 | 39,784 | 40,704 |
| current grants to persons and non-profit bodies (net) | 9,272 | 9,724 | 10,180 | 4,785 | 5,443 | 4,528 |
| current grants abroad (net) | (108) | (104) | (100) | – | – | – |
| rentals | 16 | 25 | 5 | – | (7) | – |
| depreciation | 64 | 75 | 91 | 92 | 131 | 5,491 |
| impairment | (8) | – | – | – | 2 | – |

| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|---|--------------|----------------|-----------------|----------------|----------------|----------------|
| | Outturn | Outturn | Outturn | Outturn | Outturn | Plans |
| | £m | £m | £m | £m | £m | £m |
| student loan impairment | 6,614 | 1,647 | (9,390) | 5,908 | 12,774 | – |
| interest payable to private sector | 53 | 48 | 42 | 39 | 39 | – |
| take up of provisions | 124 | – | 7 | 2 | – | – |
| profit or loss on disposal of assets | 5 | – | 58 | 8 | 11 | – |
| other resource | 126 | (49) | (81) | (83) | (128) | 5,254 |
| Resource AME | | | | | | |
| P Activities to Support all Functions (Department) | 46 | 15 | 35 | 2 | 47 | 6 |
| P Activities to Support all Functions (ALB) | – | – | – | – | 1 | – |
| Q Executive Agencies | 1 | (15) | 14 | (7) | (6) | – |
| R Higher Education | 1,778 | (5,170) | (14,277) | (3,320) | (3,829) | (4,061) |
| S Further Education | (4) | (42) | (78) | (20) | (40) | (2) |
| T Higher Education (ALB) (net) | (2) | 1 | 1 | 1 | 3 | 1 |
| U Further Education (ALB) (net) | (51) | 31 | (9) | 17 | 6 | 18 |
| Total resource AME | 1,768 | (5,180) | (14,314) | (3,327) | (3,818) | (4,038) |
| Of which: | | | | | | |
| staff costs | 48 | 39 | 44 | 52 | 60 | 57 |
| purchase of goods and services | 9 | 24 | 30 | 22 | 44 | 74 |
| income from sales of goods and services | – | – | – | – | – | (52) |
| current grants to central government (net) | (4) | – | – | – | – | – |
| current grants to persons and non-profit bodies (net) | 97 | 101 | 66 | 148 | 186 | 173 |
| rentals | 1 | 1 | 1 | 1 | 1 | – |
| depreciation | 1 | 1 | 1 | 1 | 1 | 8,723 |
| impairment | 49 | (1,727) | (5,457) | 9,694 | 11,054 | – |
| student loan impairment | 1,771 | 1,427 | (177) | 2,356 | 176 | – |
| levies, licences and regulatory fee income | (220) | (137) | (196) | (227) | (267) | – |
| fees and charges | (1) | (1) | (1) | (1) | (1) | – |
| take up of provisions | 17 | (47) | 6 | 36 | (33) | 120 |
| release of provisions | – | – | – | – | – | (127) |
| unwinding of discount on provisions | (2) | (3) | (12) | 2 | 5 | – |

| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| | Outturn | Outturn | Outturn | Outturn | Outturn | Plans |
| | £m | £m | £m | £m | £m | £m |
| interest payable to private sector (net) | (3) | (4,862) | (8,652) | (15,137) | (15,065) | – |
| profit or loss on disposal of assets (net) | 2 | – | – | – | – | – |
| other resource | 3 | 4 | 33 | (274) | 21 | (13,006) |
| Total resource | 76,988 | 67,766 | 52,841 | 84,300 | 98,304 | 96,582 |

Capital spending

| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| | Outturn | Outturn | Outturn | Outturn | Outturn | Plans |
| | £m | £m | £m | £m | £m | £m |
| Capital DEL | | | | | | |
| A Activities to Support all Functions | 33 | 58 | 119 | 167 | 79 | 121 |
| B Other School Funding (Department) | 2,122 | 1,430 | 1,190 | 1,702 | 1,949 | 2,337 |
| C Other School Funding (ALB) (net) | (30) | (29) | (33) | (25) | (18) | (25) |
| D Families and Children Services (Department) | 3 | 3 | 19 | 141 | 58 | 99 |
| E Families and Children Services (ALB) (net) | 2 | 2 | 3 | 2 | 2 | 3 |
| F Standards and Testing Agency | 2 | 1 | 4 | 4 | 6 | 7 |
| H Education and Skills Funding Agency | 9 | 4 | 7 | 10 | (7) | – |
| I Apprenticeships | 2 | 5 | 4 | 4 | 6 | 10 |
| J Grants to LA Schools and Early Years | 1,126 | 1,888 | 2,695 | 2,481 | 1,242 | 1,851 |
| K Grants to Academies | 1,041 | 1,032 | 1,334 | 1,115 | 1,167 | 1,342 |
| L Higher Education | 13 | 41 | 30 | 25 | 17 | 14 |
| M Further Education | 307 | 211 | 449 | 773 | 918 | 900 |
| N Higher Education (ALB) (net) | 199 | 151 | 125 | 237 | 182 | 115 |
| O Further Education (ALB) (net) | 1 | 1 | 2 | – | 1 | 2 |
| Total capital DEL | 4,830 | 4,798 | 5,948 | 6,636 | 5,602 | 6,776 |
| Of which: | | | | | | |
| staff costs | 3 | 4 | 4 | 7 | 8 | 7 |
| purchase of goods and services | 2 | 7 | 11 | 9 | 11 | 16 |
| capital support for central government (net) | 3,062 | 2,405 | 2,397 | 3,123 | 3,931 | 4,407 |
| capital support for local government (net) | 1,292 | 1,998 | 2,648 | 2,623 | 1,289 | 2,173 |
| capital grants to persons and non-profit bodies (net) | 606 | 404 | 707 | 368 | 237 | 77 |
| capital grants to private sector companies (net) | 114 | 18 | 11 | (7) | 19 | (164) |
| purchase of assets | (222) | 35 | 232 | 471 | 95 | 222 |
| income from sales of assets | – | – | – | – | – | (322) |
| net lending to the private sector and abroad | (42) | (50) | (46) | (40) | (39) | (40) |
| other capital | 15 | (23) | (16) | 82 | 51 | 400 |

| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| | Outturn | Outturn | Outturn | Outturn | Outturn | Plans |
| | £m | £m | £m | £m | £m | £m |
| Capital AME | | | | | | |
| P Activities to Support all Functions (Department) | – | – | 2 | 3 | 3 | 2 |
| R Higher Education | 20,942 | 21,708 | 24,680 | 30,789 | 30,853 | 29,726 |
| S Further Education | 203 | 159 | 145 | 118 | 43 | – |
| T Higher Education (ALB) (net) | – | – | – | – | 2 | – |
| U Further Education (ALB) (net) | (1) | (4) | 1 | 3 | 6 | 23 |
| Total capital AME | 21,144 | 21,863 | 24,828 | 30,913 | 30,907 | 29,751 |
| Of which: | | | | | | |
| purchase of assets | (1) | (1) | 2 | 7 | 5 | 23 |
| net lending to the private sector and abroad | 21,146 | 21,867 | 24,824 | 30,905 | 30,897 | 29,726 |
| take up of provision | – | – | – | – | 4 | 2 |
| other capital | (1) | (3) | 2 | 1 | 1 | – |
| Total capital | 25,974 | 26,661 | 30,776 | 37,549 | 36,509 | 36,527 |

Depreciation in the table above also includes amortisation, non-financial instrument impairment and revaluation. Pension schemes report under IAS 19, the pension figures include cash payments and contributions received, as well as certain non-cash items.

Total departmental staff costs within the table differs from those published elsewhere in this ARA, because staff costs include early departure costs and lump sum payments that have been presented elsewhere in the Accountability Report.

Total departmental revenue and capital costs within the table differ from those published elsewhere in this ARA due to differences in compilation methodology between these Core Tables and this ARA.

Total departmental provisions within the table differ from those published elsewhere in this ARA, because the balances in the table include costs arising from an NDPB pension scheme, which have been presented differently elsewhere in this ARA.

Table 2: Administration costs

| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|--|------------|------------|------------|------------|------------|------------|
| | Outturn | Outturn | Outturn | Outturn | Outturn | Plans |
| | £m | £m | £m | £m | £m | £m |
| Resource DEL | | | | | | |
| A Activities to Support all Functions | 370 | 396 | 429 | 407 | 434 | 531 |
| C Other School Funding (ALB) (net) | 1 | 2 | 3 | 6 | 7 | 7 |
| E Families and Children Services (ALB) (net) | 2 | 2 | 2 | 4 | 4 | 4 |
| F Standards and Testing Agency | 2 | 2 | 3 | 3 | 3 | 3 |
| H Education and Skills Funding Agency | 75 | 72 | 47 | 49 | 44 | – |
| N Higher Education (ALB) (net) | 48 | 56 | 51 | 50 | 46 | 50 |
| O Further Education (ALB) (net) | 11 | 10 | 11 | 11 | 9 | 8 |
| Total administration budget | 509 | 540 | 546 | 530 | 547 | 603 |
| Of which: | | | | | | |
| staff costs | 386 | 414 | 426 | 426 | 432 | 473 |
| purchase of goods and services | 125 | 119 | 118 | 106 | 106 | 116 |
| income from sales of goods and services | (1) | (3) | (3) | (43) | (48) | (2) |
| rentals | 14 | 23 | 11 | 7 | (1) | – |
| depreciation | 35 | 33 | 48 | 51 | 49 | 71 |
| other resource | (50) | (46) | (54) | (17) | 9 | (55) |

Annex E – Analysed performance reporting

| Body | Total operating income | Total operating expenditure | Other expenditure | Net expenditure for the year (including financing) | Permanently employed staff | | Other staff | |
|--|------------------------|-----------------------------|-------------------|--|----------------------------|-------------|---------------------|-------------|
| | | | | | Number of employees | Staff costs | Number of employees | Staff costs |
| | | | | | Number | £m | Number | £m |
| Department | (291) | 14,444 | 8,974 | 23,127 | 6,845 | 442 | 230 | 32 |
| Executive agencies | | | | | | | | |
| Education and Skills Funding Agency | – | 78,602 | 7 | 78,609 | 600 | 38 | 4 | – |
| Standards and Testing Agency | – | 53 | – | 53 | 132 | 8 | 1 | – |
| Teaching Regulation Agency | – | 19 | – | 19 | 93 | 5 | 6 | – |
| Non-departmental public bodies | | | | | | | | |
| Aggregator Vehicle Plc | – | – | (1) | (1) | – | – | – | – |
| Children's Commissioner's Office* | – | 3 | – | 3 | 25 | 2 | 4 | – |
| Construction Industry Training Board* | (298) | 308 | – | 10 | 830 | 50 | 56 | 3 |
| Engineering Construction Industry Training Board | (37) | 41 | (1) | 3 | 102 | 7 | 1 | – |
| Institute for Apprenticeships and Technical Education* | – | 29 | – | 29 | 280 | 23 | 5 | – |
| Located Property Limited* | – | 9 | – | 9 | 54 | 5 | 2 | – |
| Oak National Academy* | – | 16 | – | 16 | 92 | 8 | 95 | 1 |
| Office for Students* | (34) | 1,624 | – | 1,590 | 473 | 35 | 12 | 1 |
| Student Loans Company Limited* | (2) | 293 | 2 | 293 | 3,146 | 144 | 3 | – |
| Social Work England* | (10) | 23 | – | 13 | 227 | 11 | 10 | – |
| Group | (672) | 95,464 | 8,981 | 103,773 | 12,899 | 778 | 429 | 37 |

The balances show current year Group activities disaggregated across Group bodies based on their published ARAs. Where intra-Group activities occur, these balances have been eliminated between the individual bodies involved. Consequently, the balances disclosed here may differ from those presented in each body's own ARA.

Group bodies marked with an asterisk in the table have not yet finalised their ARAs at the date this Group ARA was published. In such instances draft numbers are included for those bodies. Management does not consider the use and disclosure of unaudited balances in these limited circumstances to have a material impact on reported Group performance or balances.

Annex F – List of abbreviations

| Abbreviation or term | Description |
|-------------------------------|---|
| Academies | All schools operated by academy trusts encompassing academies, free schools, university technical colleges and studio schools |
| Agency | Executive agency |
| AHfS | Assets held for sale |
| AI | Artificial intelligence |
| ALB | Arm's length body, another term for a non-departmental public body |
| AME (CAME or RAME) | Annually managed expenditure (capital or resource) |
| AP | Alternative provision |
| ARA | Annual report and accounts |
| ARC | Audit and Risk Committee |
| ATs | Academy trusts: the charitable companies that operate all types of academy schools |
| AuC | Asset under construction |
| BARs | Business appointment rules |
| C&AG | Comptroller and Auditor General |
| CBG | Consolidated Budgeting Guidance |
| CCO | Children's Commissioner's Office, an NDPB of the Department |
| CETV | Cash equivalent transfer value |
| CFER | Consolidated Fund Extra Receipt |
| CITB | Construction Industry Training Board, an NDPB of the Department |
| COO | Chief operating officer |
| CPI | Consumer Prices Index |
| CSC | Children's social care |
| CSM | Contractual service margin |
| CSO | Chief Sustainability Officer |
| CSOPS | Civil Servant and Other Pension Scheme |
| DBT | Department for Business and Trade |
| Defra | Department for environment, food and rural affairs |
| DEL (CDEL or RDEL) | Departmental expenditure limit (capital or resource) |
| Department, DfE | The core Department for Education, excluding executive agencies, non-departmental public bodies, academy trusts and FE colleges |
| Department and Agencies | The core Department plus its executive agencies but excluding non-departmental public bodies |
| Departmental Group, the Group | The single financial reporting body encompassing the core Department, executive agencies and non-departmental public bodies |
| DHSC | Department of Health and Social Care |
| DG | Director General |
| DWP | Department for Work and Pensions |
| EA | Executive Assistant |
| ECITB | Engineering Construction Industry Training Board, an NDPB of the Department |
| EPA | Environmental Principles Assessment |
| ESFA | Education and Skills Funding Agency, an executive agency of the Department |
| Estimate | Group funding, as approved by HM Treasury and subject to specific limits by category of spending |
| FE | Further education |
| FReM | Government Financial Reporting Manual, issued by HMT |

| Abbreviation or term | Description |
|----------------------|---|
| FFC | Families First for Children |
| FTE | Full time equivalent |
| FVTPL | Fair value through profit or loss |
| GCIA | Group Chief Internal Auditor |
| GCSE | General Certificate of Secondary Education |
| GGC | Greening Government Commitment |
| GIAA | Government Internal Audit Agency |
| GPA | Government Property Agency |
| GRAA | Government Resources and Accounts Act 2000 |
| HE | Higher education |
| HEO | Higher Executive Officer |
| HMRC | HM Revenue & Customs |
| HMT | HM Treasury |
| IAS | International Accounting Standard |
| ICO | Information Commissioner's Office |
| ICT | Information and communications technology |
| IfATE | Institute for Apprenticeships and Technical Education, an NDPB of the Department |
| IFRIC | International Financial Reporting Interpretations Committee |
| IFRS | International Financial Reporting Standard |
| IR35 | Intermediaries rules, off-payroll working rules |
| ISA | Individual savings account |
| KPI | Key performance indicator |
| KWh | Kilowatt-hour |
| LGPS | Local Government Pension Scheme |
| LocatED | Located Property Limited, an NDPB of the Department |
| MHST | Mental health support teams |
| NAO | National Audit Office |
| NDPB | Non-departmental public body |
| NEET | not in education, employment or training |
| NFF | National funding formula |
| NM | Not a member of a committee |
| Oak | Oak National Academy Limited, an NDPB of the Department |
| OBR | Office for Budget Responsibility |
| ODPO | Office of Data Protection Officer |
| OfS | Office for Students, an NDPB of the Department |
| ONS | Office for National Statistics |
| OIG | Operations and Infrastructure Group, an operational unit of the Department |
| OSCAR | HMT's Online System for Central Accounting and Reporting |
| PAYE | Pay as you earn |
| PCPF | Parliamentary Contributory Pension Fund |
| PCSPS | Principal Civil Service Pension Scheme |
| PES | Public Expenditure System |
| PF2 | Private Finance 2 |
| PFI | Private finance initiative |
| PPE | Property, plant and equipment |
| PRC | Performance and Risk Committee |
| PSBP | Priority school building programme, a programme to address the needs of the schools most in need of urgent repair |
| PSFA | Public Sector Fraud Authority |

| Abbreviation or term | Description |
|----------------------|---|
| PSP | People Strategic Plan |
| RAAC | Reinforced autoclaved aerated concrete |
| RISE | Regional improvement for standards and excellence |
| RPA | Risk Protection Arrangement |
| RPI | Retail Price Index |
| SARA | Sector annual report and accounts, the standalone annual report and accounts for the academy sector |
| SCS | Senior Civil Service |
| SE | Skills England |
| SEND | Special educational needs and disability |
| SEO | Senior Executive Officer |
| SFSO | Schools Financial Support and Oversight |
| SL | Student loans |
| SLC | Student Loans Company Limited, an NDPB of the Department |
| SME | Small and medium-sized enterprise |
| SoCF | Statement of Cash Flows |
| SoCNE | Statement of Comprehensive Net Expenditure |
| SoCTE | Statement of Changes in Taxpayers' Equity |
| SoFP | Statement of Financial Position |
| SOPS | Statement of Outturn against Parliamentary Supply |
| SPPI | Solely payments of principal and interest |
| SRG | Sustainability Reporting Guidance |
| SRO | Senior Responsible Officer |
| SSRB | Senior Salaries Review Body |
| STA | Standards and Testing Agency, an executive agency of the Department |
| STEM | Science, technology, engineering and mathematics |
| STRB | School Teachers' Review Body |
| SWE | Social Work England, an NDPB of the Department |
| TCFD | Taskforce on Climate-related Financial Disclosures |
| TME | Total managed expenditure |
| TPS | Teachers' Pension Scheme (England and Wales), a non-ministerial department |
| TRA | Teaching Regulation Agency, an executive agency of the Department |
| UAS children | Unaccompanied asylum-seeking children |
| UN SDGs | UN Sustainable Development Goals |
| UNISON | A UK trade union representing public service workers |
| UTC | University technical college |
| 2023-24 and 2024-25 | Financial years, ending on 31 March |
| 2023/24 and 2024/25 | Academic years, ending on 31 August |



Department
for Education

E03343981
ISBN 978-1-5286-5660-3