



Department
for Education

Department for Education Supplementary Estimate 2017-18

**Memorandum to the Education Select
Committee**

February 2018

Department for Education Main Estimate 2017-18

Select Committee Memorandum

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Introduction and Summary

1. The purpose of this Memorandum is to provide the Education Select Committee with additional information about the Department for Education's (DfE's) Supplementary Estimate for 2017-18. The Memorandum includes information on the department's key priorities and the latest departmental budget control totals.
2. The Supplementary Estimate budgets (and comparison to the 2017-18 Main Estimate equivalent budgets) are summarised in the table below:

Table 1 – Supplementary Estimate Control Totals 2017-18

Budget	Main Estimate 2017-18	Supplementary Estimate 2017-18	Increase / (Decrease)
	£m	£m	£m
Departmental Expenditure Limit			
A Resource - Parliamentary control	64,850.2	78,862.8	14,012.6
<i>Of which ring-fenced:</i>	3,530.7	18,283.7	14,753.0
Adult Further Education	115.0	115.0	-
Higher Education	3,367.0	18,120.0	14,753.0
Depreciation	48.7	48.7	-
B Capital Parliamentary control	5,182.1	4,938.4	(243.7)
C Total Departmental Expenditure Limit (Line A +B)	70,032.3	83,801.2	13,768.8
Annually Managed Expenditure			
D Resource	(2,860.6)	(875.5)	1,985.1
E Capital	15,678.9	18,394.9	2,716.0
F Total Annually Managed Expenditure (Line D+E)	12,818.4	17,519.4	4,701.1
G Total Managed Expenditure (LineC+F)	82,850.6	101,320.6	18,469.9
<i>Of which ring-fenced:</i>	3,530.7	18,283.7	14,753.0
Adult Further Education	115.0	115.0	-
Higher Education	3,367.0	18,120.0	14,753.0
Depreciation and Impairment	48.7	48.7	-
Resource Budget Adjustments,			
H Grants paid to Academies (Resource)	(16,976.1)	(18,618.1)	(1,642.0)
I Grants paid to Academies (Capital)	(672.8)	(742.2)	(69.4)
J Academies Resource DEL	18,676.1	18,896.2	220.1
<i>Of which ring-fenced:</i>			
Depreciation and impairment	1,700.0	1,700.0	-
K Academies Capital DEL	672.8	797.0	124.2
L Academies AME	1,786.8	1,188.7	(598.0)
M Total Resource DEL budget (A+H+J)	66,550.2	79,140.9	12,590.7
N Total Capital DEL Budget (B+I+K)	5,182.1	4,993.1	(188.9)
O Total AME Budget (F+L)	14,605.1	18,708.2	4,103.0
P Total Managed Expenditure	86,337.4	102,842.2	16,504.8
Q Net Cash Requirement	79,228.2	81,127.4	1,899.3

3. The £101,320.6 million total managed expenditure (TME) included in the Parliamentary controls in the Estimate cover the direct costs of the Department, its agencies and Arm's Length Bodies (ALBs), including grants paid to academies and student loan financing. The changes to the 2017-18 budgets included in the Supplementary Estimate are the result of fiscal announcements, transfers to/from other departments, the impact of the student loan sale, the Office for Budget Responsibility (OBR) macro-economic forecasts on the impairment of student loans, student loan policy changes and the re-profiling of some capital budgets. The net effect of these changes increases the total managed expenditure by £18,469.9 million.
4. The TME excludes the net expenditure by the academy sector which, from 2016-17, is no longer part of the DfE's consolidation group. Although the academies' underlying net outturn is not part of the DfE Parliamentary controls, HM Treasury require the Department to set a Resource Budget covering the academy sector's net expenditure for the Spending Review period. The Resource Budget is calculated by deducting the grants paid to academies, which are included in the Estimate, and adding in forecast expenditure by the academy sector. The difference between the grants paid by the Department and the expenditure by the academies is either added to, or funded by, their reserves.
5. In addition to the high-level summary in Table 1, information on the Departmental Expenditure Limit (DEL) budgets from 2012-13 to 2019-20 is set out in Annex C.
6. More information on the changes to budgets from Main Estimates, and how they are financed, is provided from paragraph 24.

Key Activities Supported by the Above Provision

7. The Department is responsible for children's services and education, including early years, schools, higher and further education policy, apprenticeships and wider skills in England. DfE works to provide children's services and education that ensures opportunity is equal for all, no matter what their background, family circumstances or needs.
8. Our purpose is to help create a country where there is social mobility and equality of opportunity by providing excellent education, training and care, and to help everyone reach their potential, regardless of background.
9. One overarching ambition will focus on places and communities across the country that feel they have been 'left behind', because they have not yet seen the improvement that other parts of the country have already benefited from. A further four ambitions will cover the key life stages of people's education:
 - Closing the word gap. Boosting access to high quality early language and literacy both in the classroom and at home ensuring more disadvantaged children leave school having mastered the basics of literacy that many take for granted.
 - Closing the attainment gap. Raising standards for every pupil, supporting teachers early in their career as well as getting more great teachers in areas where there remain significant challenges.
 - Real choice at post-16. Creating world-class technical education, backed by a half a billion pounds in investment, and increasing the options for all young people regardless of their background.
 - Rewarding careers for all. Boosting skills and confidence to make the leap from education into work, raising career aspirations. Building a new type of partnership with businesses to improve advice, information and experiences for young people.
10. These ambitions build on other vital work to tackle key challenges throughout the life stages:
 - Investing in support for looked after children e.g. through the pupil premium plus, virtual school heads, and designated teachers.
 - Delivering sustainable improvements to the children's social care system e.g. supporting the social work profession through establishing a What Works centre to disseminate best practice.
 - Taking forward the biggest changes to SEND provision in a generation, providing tailored support from 0-25; and delivering bold new proposals on children's mental health to ensure all children can develop into confident adults.
11. The DfE's strategy for meeting these priorities is set out in the single departmental plan which is published on GOV.UK. Link to the plan: [Department for Education single departmental plan - GOV.UK](#)

Explanation of Estimate Funding

Departmental Expenditure Limit (DEL)

12. DEL includes expenditure by the department, its agencies, and ALBs on pay, purchase of goods and services, current grants, capital expenditure on grants, loans and assets, and non-cash costs including depreciation and impairments.
13. The limits are based on the department's Spending Review 2015 (SR15) settlement, which has been adjusted for funding announced by HM Treasury at subsequent fiscal events, the Machinery of Government (MOG) change in July 2016 and other transfers to and from other government departments. The agreed changes to our control totals for 2016-17 to 2019-20 since the Department's SR15 are listed in Table 7.
14. The three separate DEL control totals, which following the changes applied as part of the Supplementary Estimate, are as follows:
 - Resource DEL Parliamentary control – administration: £543.9 million;
 - Resource DEL Parliamentary control – programme: £78,319.0 million;
 - Capital DEL Parliamentary control: £4,938.4 million; and
 - Total DEL Parliamentary control: £83,801.2 million.
15. The 2017-18 Resource DEL (RDEL) budget is based on the £64,850.2 million Main Estimate budget that has increased by £14,012.6 million. See paragraphs 24 – 38 for more information on the changes.
16. The 2017-18 Capital (CDEL) budget is based on the £5,182.1 million Main Estimate budget that has decreased by £243.7 million. See paragraphs 39 – 52 for more information on the changes.

Annually Managed Expenditure (AME)

17. AME budgets cover expenditure that is demand led or exceptionally volatile, which makes it difficult for departments to control. Our AME budgets are classified as programme budgets in the Estimate. AME budgets are not part of the Spending Review settlement; they are agreed annually with HM Treasury.
18. There are two separate AME control totals for resource and capital, which following the changes applied as part of the Supplementary Estimate, are as follows:
 - Resource AME (RAME) Parliamentary control – negative £875.5 million;
 - Capital AME (CAME) Parliamentary control – £18,394.9 million; and
 - Total AME Parliamentary control - £17,519.4 million.
19. The 2017-18 RAME budget is based on the negative £2,860.6 million Main Estimate budget that has increased by £1,985.1 million. See paragraphs 53 – 59 for information on the changes.

20. The 2017-18 CAME budget is based on the £15,678.9 million Main Estimate budget that has increased by £2,716.0 million. See paragraphs 53 – 59 for information on the changes.
21. In addition to the RAME voted in the Estimate, the Resource Budget excludes an additional £1,188.7 million RAME covering impairment costs, movements in the Local Government Pensions Scheme (LGPS) and other non-cash costs for the academy sector.

Structural Changes to the Estimate

22. The Estimate structure is based on the programme activities of the directorates within the department, with each Executive Agency having its own budget line. This year the Estimate structure has been updated to reflect:
- The addition of the new Arm's Length Body, Institute for Apprenticeships has been added to Estimate line O Further Education (ALB) (net).
 - The Estimate structure reflects the revised accountability arrangements including the transfer of the 16-19 Apprenticeships budgets from Section D to the ESFA in Section I.
23. On 15 November 2017, the Department announced that the National College for Teaching and Leadership (NCTL) was being repurposed and renamed as the Teaching Regulation Agency, which will continue to lead on the regulation of the teaching profession, including misconduct hearings. The other NCTL functions will transfer to the core Department. The Teaching Regulation Agency will continue to be an executive agency of the DfE and will begin to operate from the 1 April 2018. Consequently, this change is not included in the Supplementary Estimate, it will be reflected in the Mains Estimate 2018-19.

Significant Changes to Programmes and those with Increased Remit Departmental Expenditure Limit

Resource DEL – Administration Costs – £543.9 million

24. The administration cost control total includes the department, its agencies, and its other ALBs. The main departmental administration budgets are in Section A, with the administration budgets for the agencies and ALBs shown separately in Sections C, F, G, H, I, and N.

25. Table 2a below compares the 2017-18 administration cost budgets in the Main Estimates to the updated budgets in the Supplementary Estimate by section.

Table 2a Changes to administration budgets

Section	2017-18 Main Estimate £m	2017-18 Supp Estimate £m	Increase / (Decrease) £m	% Change
A Activities to Support all Functions	259.2	259.2	-	-
C School Infrastructure and Funding of Education (ALB) (Net)	4.3	4.3	-	-
F Social Care, Mobility Equality and Communication (ALB) (Net)	15.4	15.7	0.3	2
G Standards and Testing Agency	3.2	3.2	-	-
H National College for Teaching and Leadership	12.0	11.6	(0.4)	(3)
I Education and Skills Funding Agency (ESFA)	139.2	154.5	15.3	11
N Higher Education (ALB) (net)	85.2	88.3	3.1	4
O Further Education (ALB) (net)	0.0	7.1	7.1	100
TOTAL Administration cost control total	518.5	543.9	25.4	5

26. The administration cost budgets increased by £25.4 million in the Supplementary Estimate. This was due to the following changes:

- £14.8 million additional costs for Sanctuary Buildings.
- £5.0 million increase for funding the admin costs of measures announced at Spring Budget 2017.
- £4.2 million increase as a result of additional funding for invest to save projects.
- £1.1 million increase as a result of cash management rebate allocated by HM Treasury.
- Additional £0.3 million for GEO initially allocated to programme instead of administration costs in the Spring Budget.

27. The administration cost budgets at the start of the year were allocated in line with the Department's SR15 plans, so in addition to the overall increase there has been some reallocation of budgets across the core department, agencies and ALBs. This has resulted in the following specific changes greater than 10%:

- Section I – the increase reflects the reallocation of costs from the Skills Funding Agency (SFA) to Education and Skills Funding Agency (ESFA).
- Section O – the £7.1 million increase relates to the newly allocated budget for the Institute for Apprenticeships.

28. Further information on administration control totals in past and future years is available in Annex C.

Resource DEL – Programme Costs £78,319.0 million

29. The DfE's programme DEL allocation supports all the department's priorities. Compared to the Main Estimate, the RDEL budget has increased by £14,012.6 million. This is largely the result of the increase in the student loan impairment budget reflecting the sensitivity of student loans to changes in OBR macroeconomic forecasts including earnings, RPI and the Bank of England base rate. Given the volatility of the student loan budgets there is an annual revaluation in the Supplementary Estimate, which in resulted in an £14,765.0 million claim on the Reserve (in 2016-17 there was a £11,001 million increase). The other changes to the RDEL programme budgets, totalling £777.7 million net decrease are:

- a switch of £220.1 million from the Parliamentary control total to the Academies expenditure budgets;
- a reduction of £210.0 million Budget Exchange RDEL into 2018-19;
- a reduction of £180.0 million Budget Exchange RDEL into 2019-20;
- a reduction of £142.0 million for forecast surplus which has been returned to the Exchequer;
- a switch of £24.3 million to admin RDEL;
- a reduction of £2 million which has been transferred to other government departments; and
- an increase of £0.7 million additional funding from HM Treasury to finance the budget transfer from the Government Equalities Office to Department for Health and Social Care.

30. Annex A contains a full like-for-like comparison of 2017-18 Main and Supplementary Estimates at Section level budgets.

31. The following paragraphs provide further detailed information on the more significant movements at Section level i.e. those Estimate sections that have changed by more than 10%. The sections with significant changes are shown in Table 2b. As the changes in the grants to schools budgets in sections J and K are significant amounts, they have also been included in the table even though the amounts are below 10%.

Table 2b Changes to programme budgets over 10%

Section	2017-18 Main Estimate £m	2017-18 Supp Estimate £m	Increase / (Decrease) £m	% Change
A Activities to Support all Functions	67.4	20.2	(47.2)	-70.0%
D Education Standards, Curriculum and Qualifications (Department)	5,486.2	4,112.8	(1,373.4)	-25.0%
H National College for Teaching and Leadership	468.3	373.5	(94.8)	-20.3%
J Grants to LA Schools via ESFA	31,506.2	30,356.6	(1,149.6)	-3.6%
K Grants to Academies via ESFA	16,976.1	18,618.1	1,642.0	9.7%
L Higher Education	4,461.1	19,145.8	14,684.7	329.2%

Section A Activities to support all functions

32. The £47.2 million decrease in programme costs within Section A is the result of £24.3 million switch to RDEL admin and the remaining decrease is the net result of movements within the Risk Protection Arrangement (RPA) and the outcome of an in-year budget exercise to reallocate budgets according to need.

Section D Education Standards, Curriculum and Qualifications

33. The £1,373.4 million decrease in programme costs within Section D is the result of:

- £823 million decrease as a result of the transfer of Apprenticeships budget to ESFA;
- £259 million decrease reflecting revised accountability arrangements for Physical Education and Sports Grants to Grants to Local Authority schools (Section J);
- £70 million decrease due to reduced costs for the new School Improvement programmes as a result of an initial delay in commencing the programme associated with the pre-General Election period resulting in planned engagement with the sector not taking place; and
- the remaining £221 million decrease in budgets is the net result of reduction in the budget needs across a range of programmes which are primarily related to delays in policy decisions and procurement following the general election and reallocating budgets according to need across 16-18 budgets.

Section H National College for Teaching and Leadership

34. The £94.8 million decrease in programme costs within Section H is the result of:

- £47 million decrease in the Initial Teacher Training incentives programme costs primarily related to fewer applicants than projected, along with refined assumptions to take account of potential dropout rates;
- the remaining £48 million is largely the net result of:
 - overall reduction to the Teach First Expansion programme costs, related to lower than anticipated participant numbers and changes to VAT treatment following engagement with HM Revenue and Customs (HMRC);

- a reduction to the Subject Knowledge Enhancements (SKE) programme due to refined assumptions about anticipated take up of SKE courses;
 - and a reduction to the requirements for the Teaching Schools programme associated with fewer designations and lower than anticipated costs associated with the delivery of Teaching School Council (TSC) Regional activity.
- These have been partly offset by increased funding to fast track newly designated teaching schools and increased funding for national leaders of governance advocates.

Section J Grants to Local Authority schools

35. The £1,149.6 million decrease in programme costs within Section J is the result of:

- £1,444 million reduction as a result of transferring school sixth-form spending to Grants to Academies (Section K);
- £132 million reduction across the Early Years programmes primarily due to the Early Years Entitlements which have been updated following the latest census data;
- £59 million decrease on Pupil Premium primarily due to declining levels of eligibility; and
- £102 million reduction in budgets, the net result of a decrease on core LA maintained schools budgets (both pre- and post-16) mainly due to higher than forecast conversion of schools to academy status and other smaller movements including in pre-16 High Needs funding, post-16 bursary and free meals funding, Priority Schools Building Programme revenue spend and Education Service Grant funding. These are offset by;
- £330 million increase reflecting revised accountability arrangements on Post-16 High Needs; and
- £257 million increase reflecting revised accountability arrangements for Physical Education and Sports Grants.

Section K Grants to Academies

36. The £1,642.0 million increase programme costs within Section K is the result of:

- £1,444 million transfer from Grants to Local Authority schools (Section J) as the Main Estimate for school sixth-form spending was allocated to Section J, but subsequently allocated between Local Authority and academy sixth-forms;
- £230 million increase on core academy schools budgets (both pre- and post-16) mainly due to higher than forecast conversion of schools to academy status; offset by
- a £32 million decrease in budgets is the net result of movements in pre-16 High Needs and Pupil Premium.

Section L Higher Education

37. Student loan impairments are highly sensitive to changes in macroeconomic conditions including earnings, RPI and Bank of England base rate. As in previous years, it has been

necessary to make a Reserve Claim as part of the Supplementary Estimate, to reflect the possible impact of changes to macroeconomic forecasts on the student loan book, resulting in the increase in programme costs within Section L.

38. See Annex A for details of all the section budgets, including comparatives to the budgets in the 2017-18 Main Estimate.

Capital DEL

39. DfE's CDEL budget is spent predominantly on: ensuring sufficient school places by enabling Local Authorities to discharge their duties; maintaining the school estate; the Priority Schools Building Programmes, which replace and refurbish schools in the worst condition; and the Free Schools programme, which facilitates educational reform.

40. The 2017-18 Capital (CDEL) budget reflects the following changes that have decreased the overall total by £243.7 million:

- £119.0 million decrease reflecting a shift into core school budgets through the new National Funding Formula, announced in July 2017;
- £76.0 million decrease as a result of Budget Exchange into 2018-19;
- £54.8 million decrease as a result of a transfer from the parliamentary CDEL control total to the HMT control total to cover additional spending by academies on capital purchases; and
- £6.1 million increase following the transfer of budgets from other departments, mainly the transfer of energy efficient loans from the Department for Business, Energy and Industrial Strategy (BEIS).

41. The following paragraphs provide further detailed information on the more significant movements at Section level i.e. those Estimate sections that have changed by more than 10%. The sections with significant changes are shown in Table 3.

Table 3 Capital DEL summary

Section Title	2017-18 Main Estimate £m	2017-18 Supplementary Estimate £m	Increase / (Decrease) £m	%
A Activities to Support all Functions	73.6	58.4	(15.2)	(21)
B School Infrastructure and Funding of Education (Department)	1.0	2.0	1.0	100
C School Infrastructure and Funding of Education (ALB) (Net)	-	52.6	52.6	100
F Social Care, Mobility Equality and Communication (ALB) (Net)	0.5	0.5	-	-
G Standards and Testing Agency	-	2.0	2.0	100
I Education and Skills Funding Agency (ESFA)	1,030.7	1,872.9	842.2	82
J Grants to LA Schools via ESFA	3,064.2	1,966.9	(1,097.3)	(36)
K Grants to Academies via ESFA	672.8	742.2	69.4	10
L Higher Education	17.6	17.9	0.3	2
M Further Education	94.4	12.2	(82.2)	(87)
N Higher Education (ALB) (net)	227.3	209.1	(18.2)	(8)
O Further Education (ALB) (net)	-	1.7	1.7	100
PARLIAMETARY CONTROL TOTAL	5,182.1	4,938.4	(243.7)	(5)
<u>Resource Budget</u>				
Add additional capital budget transferred to Academy sector budgets	-	54.8	54.8	
RESOURCE BUDGET CONTROL TOTAL	5,182.1	4,993.2	(188.9)	(4)

Section A Activities to Support all Functions

42. The £15.2 million reduction in capital expenditure is due to a decrease in the costs associated with refurbishing Old Admiralty Building in the current year.

Section B School Infrastructure and Funding of Education

43. The capital costs in this line has increased by £1 million as a result of un-accrued payments relating to the last financial year from maintenance projects.

Section C School Infrastructure and Funding of Education (ALB)

44. The £52.6 million increase includes:

- £49.3 million for the 2017-18 Aggregator Vehicle Ltd that was not part of SR15 capital plans. This year we have agreed with HM Treasury that we will cover the costs, rather than seek a Reserve Claim; and
- £3.3 million transfer from Section J for LocatEd Property Company.

Section G Standards and Testing Agency

45. The £2.0 million increase in capital budgets relates to the Multiplication Tables Check project.

Section I Education and Skills Funding Agency

46. The capital costs in this line have increased by £842.2 million as a result of:

- increase of £862 million due to reallocation of budgets from Section J (Grants to Local Authority Schools);
- £6 million increase reflecting the budget transfer from BEIS as their contribution towards the Salix energy efficiency projects in schools; and
- this is offset by a reduction of £26 million due to redeployment of budgets.

Section J Grants to Local Authority Schools via ESFA

47. The £1,097.3 million decrease in capital grants to local authority run schools is due to:

- £862 million decrease due to reallocation of budgets to Section I (Educations and Skills Funding Agency);
- other capital movements totalling a £235 million net reduction.

Section K Grants to Academies via ESFA

48. The capital costs in this line have increased by £69.4 million as a result of accommodating costs for the Condition Improvement Fund.

Section M Further Education

49. The capital costs in this line have reduced by £82.2 million as a result of:

- transferring ownership of the Exceptional Finance Support (EFS) loan book from the Core Department to the ESFA. There is a corresponding increase in the ESFA line;
- budget transferred to the ESFA for the National Colleges programme. Funding to the National College for Creative and Cultural Industries, the National College for High Speed Rail and the National College for Nuclear is provided through the ESFA. There is a corresponding increase in the ESFA line; and
- delays in the competition launch for the Institutes of Technology programme as a result of policy changes following the election.

Section O Further Education ALB

50. The capital costs in this line have increased by £1.7 million as a result of allocating a capital budget to the Institute for Apprenticeships (IFA).
51. The current budgets are based on the assumption that the academy sector will spend the entire grant we give them this year. However, we know that the academies can use their own reserves to finance capital projects, therefore as part of the budgeting exercise, we collect information on the capital expenditure by academies during the year. As a result, we have transferred £54.8 million for the capital budgets within the Parliamentary control total to the separate Academies budget (which is still part of the overall CDEL control total).
52. Annex D contains a detailed breakdown of the schools' capital budgets by programme and the changes since last year.

Annually Managed Expenditure

53. The AME budget includes two different categories of expenditure:

- RAME, which includes non-cash costs, related to the movement in provisions for the Department and its ALBs, and the effective interest on student loans; and
- CAME which includes the cash costs related to student loan outlay, repayments and capitalised interest onto the student loan book.

54. In addition to the budgets in the Estimate, the department's Resource Budget limit includes the non-cash academy budgets.

55. The key elements of the budgets are set out in Table 4 below:

Table 4 AME Budgets

Section	Main Estimate 2017-18		Supplementary Estimate 2017-18		Increase / (Decrease)		%	
	Resource £m	Capital £m	Resource £m	Capital £m	Resource £m	Capital £m	Resource	Capital
P: Activities to support all functions	(9.4)	-	(8.0)	-	1.4	-	(15)	-
Q: Executive Agencies,	(2.6)	-	(2.6)	-	-	-	-	-
R: Higher Education AME	(2,805.7)	15,356.0	(825.7)	18,072.0	1,980.0	2,716.0	(71)	18
S: Further Education AME	-	317.2	-	317.2	-	-	-	-
T: Higher Education (ALB) AME (NET)	(20.1)	-	(16.4)	-	3.7	-	(18)	-
U: Further Education (ALB) (net) AME	(22.8)	5.7	(22.8)	5.7	-	-	-	-
Total AME Parliamentary Control Total	(2,860.6)	15,678.9	(875.5)	18,394.9	1,985.1	2,716.0	(69)	17
Academies related budgets: including movement in Local Government Pension Scheme and impairments	1,786.8	-	1,188.7	-	(598.1)	-	(33)	-
Resource Budget AME Control Total	(1,073.8)	15,678.9	313.2	18,394.9	1,387.0	2,716.0	(129)	17

56. The voted AME budget is used by the Department as follows:

- Section P is for the movement in departmental provisions including early departure costs, property and Risk Protection Arrangement provisions.
- Section Q is for the movement in Executive Agency provisions. The £2.6 million 2017-18 budget relates solely to the movement in the early retirement provision;
- Section R includes the resource and capital costs related to movements on the student loan books. Student loans are demand-led budgets and are sensitive to changes in OBR macroeconomic determinants. These budgets include:
 - resource costs of negative £825.7 million which includes the latest estimates on the movement in effective interest on student loans; and
 - capital costs of £18,072 million which are the budgets for the loans issued to students, interest applied to borrower accounts and the repayments of loans.
- Section S includes the £317.2 million capital costs relating to issuing Advanced Learner Loans in the Further Education sector;
- Section T reflects the net movement in Higher Education Funding Council for England (HEFCE) and Student Loan Company (SLC) provisions, which reflect the expected use of the provisions this year. The negative budget is £3.6 million higher to reflect the take up of provisions by SLC and the impact of the discount rate change; and

- Section U is the budget for the movement in CITB's and ECITB's resource and capital provisions. Budget changes in the CITB are largely informed by CITB levy income and grant expenditure, which are subject to movements within the economy. We have updated the 2017-18 budget to reflect latest economic forecasts.

57. More information on the included provisions is included at paragraphs 67 - 74.

58. In addition to the AME budgets in the Main Estimate, the Resource budget includes the following non-cash budgets totalling £1,188.7 million for the academy sector:

- the movement in the Local Government Pensions Scheme relating to members working in academies - £703 million; and
- impairments and depreciation - £486 million.

59. The Department carries out an annual exercise to collect updated budget forecast data from academies during the year, so for the purposes of the Main Estimate we included an initial budget based on the largest 2016-17 AME budgets. Following the budget forecast exercise, we have decreased the budgets in the Supplementary Estimate, by £598.1 million. This reduction is due to the movement in the pension deficit being lower than expected.

Transfers of Functions to and from Other Government Departments (OGDs)

60. We frequently transfer budgets to, and receive transfers from, other departments which can be the result of a transfer of functions to/from the department or budgetary contributions to other departments leading on joint programmes.

61. The net impact of the changes included in the Supplementary Estimate is to decrease departmental programme RDEL budgets by £2.0 million and increase to CDEL by £6.0 million. Table 5 lists the individual changes.

Table 5 Transfers (to)/from other departments

Section	Other Department	Reason for transfer	Programme	
			Resource £m	Capital £m
A Activities to Support all Functions	Ministry of Housing, Communities and Local Government	Mowden Hall - reimbursement of land		0.4
I Education and Skills Funding Agency (ESFA)	Business, Energy and Industrial Strategy (BEIS)	Transfer in from BEIS Salix Energy Efficiency Fund		5.6
J Grants to LA Schools via ESFA	HM Treasury	Contribution related to PF2 priority schools building programme	0.4	-
Sub total Transfers in from other departments			0.4	6.0
A Activities to Support all Functions	Cabinet Office	Contribution towards the Suffrage Centenary Educate programme	(0.5)	
E Social Care, Monilty and Equality (Department)	Dept of Health and Social Care (DHSC)	Funding for NI Abortion programme by Government Equalities Office ¹	(0.7)	
L Higher Education	HM Treasury	Contribution towards UKGI master servicer costs	(0.5)	
M Further Education	Ofqual	Apprenticeship reform evaluation	(0.2)	
		FE Functional reform	(0.5)	
Sub total Transfers out to other departments			(2.4)	-
Total Transfers (to)/from other departments			(2.0)	6.0

¹ This transfer to DHSC was funded by a £750,000 increase in departmental budgets. This transfer did not impact other schools and children's services budgets.

Net Cash Requirement

62. The Net Cash Requirement sets a limit on the amount of cash needed to fund the department's activities.

63. Table 6 details the reconciliation between the net Resource and Capital total and the Net Cash Requirement. The major difference between Resource and Cash limits is that Net Cash Requirement limit includes grant in aid, cash payments from provisions, but excludes non-cash expenditure (e.g. depreciation, impairments, ALBs' resource expenditure, notional audit fee, etc.).

Table 6 Net Resource to Net Cash reconciliation

	2017-18 Main Estimate £m	2017-18 Supp Estimate £m	Increase / (Decrease) £m
Net Resource Requirement	61,989.6	77,987.4	15,997.8
Net Capital	20,861.0	23,333.3	2,472.3
	82,850.6	101,320.7	18,470.1
Departmental depreciation and impairment	(3,504.3)	(18,271.3)	(14,767.0)
New provisions and adjustment to existing provision (eg discount rate change)	(38.8)	(50.4)	(11.6)
Use of provisions	60.6	60.5	(0.1)
Adjustment to remove ALB resource outturn	(1,876.8)	(2,021.1)	(144.3)
Add cash Grant in Aid	1,797.9	1,976.1	178.2
Other non-cash items	(61.0)	(1,887.0)	(1,826.0)
Movement in debtors/creditors			0.0
Net resource to cash adjustments	(3,622.4)	(20,193.2)	(16,570.8)
Net Cash Requirement	79,228.2	81,127.5	1,899.3

64. The £1,899.3 million increase in the net cash requirement is largely the cash consequences of the £2,716 million increase in student loan issuance and repayment budgets in CAME, offset other decreases in grant, including by the £727 million reduction in DEL grant expenditure which has been returned to HM Treasury and the Budget Exchanges.

Departmental Control Total

65. Table 7 shows how the Department's Parliamentary control totals have changed since the Department's SR15. A more detailed breakdown of the 2017-18 in-year changes is provided in Annex B.

Table 7 Changes to Parliamentary control totals

Control Total	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m
DEL Admin Resource					
SR 2015	323.3	320.8	303.6	294.4	-
Main Estimate 16-17 changes	11.7	9.4	8.5	6.3	-
Supp Estimate 16-17 Changes	189.9	187.8	185.3	181.0	-
Main Estimate 17-18 changes	0.5	0.5	0.5	0.5	-
Supp Estimate 17-18 Changes	-	25.4	2.0	2.0	-
Total DEL Admin Resource	525.4	543.9	499.9	484.2	-
DEL Programme Resource					
SR 2015	53,981.1	55,025.6	55,968.4	56,736.4	-
Main Estimate 16-17 changes	(34.0)	499.8	549.4	560.0	-
Supp Estimate 16-17 Changes	19,760.6	8,762.5	8,964.5	9,075.0	-
Main Estimate 17-18 changes	-	43.8	80.4	124.6	-
Supp Estimate 17-18 Changes	-	13,987.3	446.2	778.4	-
Total DEL Programme Resource	73,707.7	78,319.0	66,008.9	67,274.4	-
Total Resource DEL					
SR 2015	54,304.4	55,346.4	56,272.0	57,030.8	-
Main Estimate 16-17 changes	(22.3)	509.2	557.9	566.3	-
Supp Estimate 16-17 Changes	19,950.5	8,950.3	9,149.8	9,256.0	-
Main Estimate 17-18 changes	0.5	44.3	80.9	125.1	-
Supp Estimate 17-18 Changes	-	14,012.7	448.2	780.4	-
Total DEL Resource	74,233.1	78,862.9	66,508.8	67,758.6	-
DEL Capital					
SR 2015	5,264.0	4,646.0	4,446.0	4,441.0	4,572.0
Main Estimate 16-17 changes	-	100.0	498.0	(598.0)	-
Supp Estimate 16-17 Changes	711.8	681.5	811.5	371.0	442.0
Main Estimate 17-18 changes	-	(245.4)	405.5	539.0	(363.0)
Supp Estimate 17-18 Changes	-	(243.7)	(848.0)	345.0	-
Total DEL Capital	5,975.8	4,938.4	5,313.0	5,098.0	4,651.0
RAME					
SR 2015	-	-	-	-	-
Main Estimate 16-17 changes	10.0	(60.5)	(73.1)	(85.5)	-
Supp Estimate 16-17 Changes	(1,218.5)	(2,285.3)	(3,149.0)	(3,502.0)	(3,960.3)
Main Estimate 17-18 changes	-	(514.7)	-	-	-
Supp Estimate 17-18 Changes	-	1,985.0	-	-	-
Total RAME	(1,208.5)	(875.5)	(3,222.1)	(3,587.5)	(3,960.3)
CAME					
SR 2015	-	-	-	-	-
Main Estimate 16-17 changes	-	-	-	-	-
Supp Estimate 16-17 Changes	14,630.6	15,875.7	18,705.0	21,538.0	23,618.6
Main Estimate 17-18 changes	-	(196.8)	(70.0)	20.0	50.0
Supp Estimate 17-18 Changes	-	2,716.0	-	-	-
Total CAME	14,630.6	18,394.9	18,635.0	21,558.0	23,668.6
Total Managed Expenditure					
SR 2015	59,568.4	59,992.4	60,718.0	61,471.8	4,572.0
Main Estimate 16-17 changes	(12.3)	548.7	982.8	(117.2)	-
Supp Estimate 16-17 Changes	34,074.4	23,222.2	25,517.3	27,663.0	20,100.3
Main Estimate 17-18 changes	0.5	(912.6)	416.4	684.1	(313.0)
Supp Estimate 17-18 Changes	-	18,470.0	(399.8)	1,125.4	-
Total Managed Expenditure	93,631.0	101,320.7	87,234.7	90,827.1	24,359.3

Provisions and Liabilities

66. There are five main categories of provisions for liabilities and charges included in the department's budgets and accounts:

- early departure cost;
- retirement compensation;
- inherited staff liabilities;
- Risk Protection Arrangement (RPA); and
- other.

67. Details of the DfE Group provisions are provided below:

	Early Dep Costs £m	Premature Retirement Compensation £m	Inherited Staff Liabilities £m	RPA £m	Other £m	TOTAL £m
Balance at 31 March 2017	2.4	163.1	202.6	15.4	26.9	410.4

Early Departure Costs

68. The purpose of the Early Departure Cost provision is to recognise the department's financial liability to meet the additional costs of benefits beyond normal Principal Civil Service Pension Scheme (PCSPS) benefits that are paid to DfE employees who retire early, and compensation payments payable to employees who take early severance.

Premature Retirement Compensation (PRC)

69. This provision was created to cover the department's liability to pay premature retirement compensation to non-departmental staff. The provision currently covers costs relating to the former teaching staff of ex-Grant Maintained Schools and Colleges, and pension payments relating to the staff of former departmental bodies (Schools Council, Training Commission) and other NDPBs. The provision was calculated using data supplied by both Capita Business Services Limited for teachers' pensions and Equiniti Paymaster for former departmental bodies and NDPBs. The calculation was based on the average life expectancy for men and women as detailed by ONS.

Inherited staff liabilities

70. These are certain staff related commitments of Higher Education Institutes (HEIs) that were previously LA maintained. These liabilities were transferred from LAs to HEIs on incorporation and the Education Reform Act 1988 gave powers to the Polytechnics and Colleges Funding Council (PCFC) to reimburse institutions and LAs for such liabilities. Upon its formation HEFCE assumed the PCFC's main responsibilities and now provides funding for reimbursements as follows:

- early retirement or redundancy compensation payments;
- protection of salary; and

- pension increases under the Local Government Superannuation Scheme for former non-teaching staff of institutions formerly funded by the PCFC.

71. HEFCE has provided for these ongoing reimbursements. As the provision estimate is based on data of all pension scheme members and uses various assumptions, the valuation obtained may vary from that which would be obtained if the data of all pension scheme members was made available to allow a full actuarial valuation. An analytical review is undertaken annually in order to verify the reasonableness of the provision. The provision value is an estimate based upon projected payments, mortality rates and other actuarial assumptions. Current assumptions mean that payments are expected to continue until at least 2041. The provision is discounted using HMT's pension discount rate of 0.24% (2016: 1.37%). The undiscounted value of the provision as at 31 March 2017 was £206 million (2016: £225 million).

Risk Protection Arrangements

72. The RPA for academy trusts is a scheme that provides an alternative to insurance where losses that arise are covered by government funds. The provision has been increased this year to meet the future liabilities, in respect of events that will occur in 2017-18, based on an actuarial model of expected claims. This provision is increasing to reflect the increase in the number of academies joining the scheme, which increases the potential claim on the fund.

Other

73. Other provisions include:

- the redundancy, pensions, due diligence and other associated costs involved in the dissolution of sixth-form colleges and ensuring that existing learners provision and examination is not disrupted;
- the costs of redundancy, write-off of potential funding clawbacks, transfer of leases or capital assets and other costs involved in an academy closure as a result of the Secretary of State terminating the funding agreements of the Discovery New School and Hackney UTC;
- the cost of meeting the obligation to reimburse church ATs who had renewed their commercial insurance arrangements prior to the decision of both the Catholic Education Service and the National Society of the Church of England to join the RPA;
- property provisions established by the Group;
- other sundry provisions including equal pay claims; and
- a provision as a result of the finding of a Judicial Review into European School Teachers relating to promotion and retirement rights, disputed utilities costs and equal pay claims. The Judicial Review created an obligation for the Group to make these payments to European School Teachers.

Contingent Liabilities

74. Contingent liabilities are potential liabilities that are uncertain, and the department will only incur future expenditure if certain conditions are met or if certain events happen. At the time of the preparation of the Supplementary Estimate, the department has twenty-nine contingent liabilities. Of these, fifteen indemnities relate to school properties and projects.

Statutory contingent liabilities

75. Under paragraph 7 of the *Schools Standards Framework Act 1998*, the Secretary of State has a statutory duty to indemnify any adjudicator against any reasonable cost and expense reasonably incurred by the adjudicator in connection with any decision taken in pursuit of the statutory duties of the Office of the Schools Adjudicator. The adjudicator's decisions can be challenged through judicial review. It is not possible to quantify the potential costs.

Non-statutory contingent liabilities

Quantifiable

76. The Department is providing an indemnity to local authorities for potential costs in respect of buildings financed by existing Private Finance Initiative (PFI) arrangements, and which are used by academy trusts. This type of indemnity is considered low risk. The use of the school by an academy does not create a new liability; it just moves the liability from local to central government. The department currently estimates the potential liability at £8.5 billion, but this is under review as the number of schools that convert increases. To date the department has not received any claims against these PFI indemnities.

77. The Department has provided a £12.5 million guarantee to Tottenham Hotspur Property Co. Ltd in relation to a commercial lease arrangement for an academy trust site. This is not expected to change this year.

78. The Department has provided a guarantee to cover costs that would arise from the re-instatement of the Norwich Free School's building to its original condition in the event of its closure. The latest available estimate of the likely cost is £110,000, which has not changed since 2014-15.

79. It is important that senior staff likely to be running a school when it opens are involved and take forward the development of the school from a very early stage. Consequently, the trust engage Principals Designate, and meet the salary costs prior to a school opening. The department has agreed to underwrite the salaries of Free Schools' Principals Designate for up to two terms in the event that the schools do not open as planned. The department estimates that the balance for this guarantee reduced to £168,000 during the last financial year, but is not expected to change this year.

80. For calculating employee contributions, the LGPS Administering Authorities view academy trusts as higher risk employers as they no longer have the financial backing of a local authority. Consequently, academy trusts were being asked to pay significantly higher LGPS employer contribution rates to those set when they were a local authority maintained school. The department has agreed to guarantee that if an academy closes, the group will meet any outstanding pension liabilities owed to the pension scheme. The upper limit of the guarantee has been increased from £11 million in 2016-17 to £11.5 million. The purpose of the guarantee is to give LGPS Administering Authorities the confidence they need to treat academies

equitably, and ensure that there is no significant increase in employer contribution rates upon conversion to academy status.

81. In 2013, CET Westminster Free School required urgent approval of an indemnity to the Church Commissioners for the costs of potential legal challenge, without which the project could not proceed.
82. The department has agreed to act as guarantor for Free Schools in the event they breach their tenant default agreements with their landlords. This guarantee has an upper limit of £2.9 million.
83. In December 2016 the department agreed to provide a £2.0 million indemnity to protect Inspiration Trust (Re: Great Yarmouth High School) against the potential closure costs of the academy in the event that consent for the academy to operate from the current site is withdrawn.
84. An £470,000 indemnity was provided to Turing House School in relation to a rent deposit in May 2015.
85. Under the Conditions of Grant Aid, the Deanery Church of England Primary School will be required to repay two grants received from Birmingham City Council for a children's centre and playground if the Academy Trust breaches the conditions of the grant agreement attached to the grants. The upper limit is £359,000.
86. An indemnity totalling £4.5 million for payments for the Apprenticeship Grant for Employers (AGE) grant that will be due as apprentices complete three months of employment.
87. A £250,000 indemnity for project costs if the Central Ipswich Free School project is aborted.
88. A £1.1 million indemnity for REAch2 Colchester project for costs dependent on the planning permission decision by the local authority.
89. A £150,000 indemnity for the potential additional costs in relation to the Mosaic Jewish Primary School project.
90. A £923,000 indemnity given to the UTC@Harbourside in relation to possible closure costs.
91. A £509,000 indemnity given to Plymouth UTC in relation to possible closure costs.
92. A £1.1 million indemnity given to Heathrow UTC in relation to possible closure costs.

Unquantifiable

93. As a result of entering into a PFI arrangement for the building of schools (PF2) there are a number of contracts in place which have clauses that could give rise to liability for the ESFA. These are considered by ESFA to be remote and unquantifiable as they relate to breach of contractual conditions.
94. As a result of entering into contracts on site purchases, the ESFA are subject to a number of overage clauses. These are considered to be remote as they relate to changes in contractual arrangements.
95. Equality and Human Rights Commission (EHRC): A contingent liability exists regarding pension provision for a Chair and Deputy Chairs of a legacy commission. The Commission

does not hold sufficient information to estimate a value. The likelihood of occurrence is deemed possible.

96. The ESFA has two outstanding claims from Priority Schools Building Project (PSBP) contractors for the removal of asbestos found at two school sites: Blackpool Aspire Academy and Annie Holgate Infant School. It is standard ESFA practise to negotiate with PSBP contractors and partially meet part the cost of removing asbestos found during PSBP projects. In the case of Blackpool Aspire Academy and Annie Holgate Infant School the contractors have not yet quantified the value of their claims and consequently the ESFA is not able to quantify its liability in respect of these two cases.
97. The sale of student loans necessitated warranties and indemnities to secure interest and obtain value for money from investors. These contingent liabilities are in respect of:
- a) a warranty to provide investors compensation for policy changes which reduce cash flows to investors. This is because the terms of the loans remain within Government control, and there is nothing investors can do to influence this. The liability will exist for the life of the securities. This means it will be expected to expire by 2036. The likelihood of crystallisation is low.
 - b) the need to repurchase all of the loans as a remedy for investors if:
 - i. collection of repayments for the sold loans through the UK tax system by HMRC ceased;
 - ii. RPI used to calculate the interest rate of the loans was abolished without a substitute being put in place;
 - iii. there was a problem with the collection of loan repayments that could not be remedied for three consecutive annual payment dates; or
 - iv. legislation is passed which means the Consumer Credit Act (CCA) / Financial Services and Markets Act (FSMA) applies to the loans and the CCA low interest exemption applies.
 - v. The likelihood of any of these scenarios materialising is very low.
 - c) the indemnity given to investors to cover potential losses if a “servicing event” is triggered. Investors are not able to change the servicer (unlike for a typical commercial transaction) and therefore an indemnity is their only recourse in the event that the servicing is not in line with the contractually agreed standard. The liability is expected to be live for the life of the securities, i.e. up to around 30 years, and will reduce over time. The likelihood of crystallisation is low.
 - d) indemnities given to the Joint Lead Managers if they (or their employees, directors or affiliates) suffer any loss as a result of misrepresentation, misleading statement or omissions or breach of duty by Government. All of the liabilities are expected to be live for the life of the loans, i.e. up to around 30 years. The likelihood of crystallisation is low.
98. The DfE has contracted a charity to manage the Junior Individual Savings Account (ISA) scheme on its behalf (until 31 March 2019). Using an initial £200 payment from the department, the contractor opens and manages Junior ISAs on behalf of looked after children while they remain in care. Once a child stops being looked after, the charity provides the

necessary information to the person with parental responsibility for the child so that they may take over the management of the account. The funds cannot be accessed by the account holder until their eighteenth birthday, at which age, the account will mature into a standard (adult) ISA.

Departmental Accounting Officer

99. This Memorandum has been prepared with reference to the guidance in the Supply Estimates Manual provided by HM Treasury and available on the House of Commons and Scrutiny Unit website.
100. The Departmental Accounting Officer has personal responsibility for the content of the Memorandum, and his approval of the Memorandum has been obtained prior to submission to the Select Committee.

Annex A Detailed breakdown

The Main Estimate budgets in the table below show the budgets within the Parliamentary Control Total by Estimate Line.

Section / Expenditure	2017-18 Main Estimate (£m)	2017-18 Supp Estimate (£m)	Increase / (Decrease) (£m)	2016-17 Supp Estimate (£m)
Departmental Expenditure Limit				
A Activities to Support all Functions	400.2	337.8	(62.4)	356.4
Administration	259.2	259.2	0.0	274.2
Capital	67.4	58.4	(9.0)	41.1
Other Resource	73.6	20.2	(53.4)	41.1
B School Infrastructure and Funding of Education (Department)	245.7	252.9	7.3	576.9
Resource	244.7	250.9	6.3	574.9
Capital	1.0	2.0	1.0	2.0
C School Infrastructure and Funding of Education (ALB) (Net)	4.3	56.9	52.6	341.2
Administration	4.3	4.3	-	2.2
Capital	0.0	52.6	52.6	339.0
D Education Standards, Curriculum and Qualifications (Department)	5,486.2	4,112.8	(1,373.4)	5,228.9
Programme	5,486.2	4,112.8	(1,373.4)	5,228.9
E Social Care, Mobility and Equality (Department)	391.1	365.6	(25.5)	356.7
Programme	391.1	365.6	(25.5)	356.7
F Social Care, Mobility and Equality (ALB) (Net)	22.4	22.7	0.3	24.2
Administration	15.4	15.7	0.2	16.8
Programme	6.5	6.6	0.1	6.9
Capital	0.5	0.5	0.0	0.5
G Standards and Testing Agency	56.9	53.9	(2.9)	55.1
Administration	3.2	3.2	0.0	4.0
Programmes	53.7	48.8	(4.9)	51.1
Capital	-	2.0	2.0	-
H National College for Teaching and Leadership	480.4	385.1	(95.3)	416.6
Administration	12.0	11.6	(0.4)	13.0
Programmes	468.3	373.5	(94.9)	403.6
I Education and Skills Funding Agency	4,070.1	5,170.0	1,099.9	3,828.2
Administration	139.2	154.5	15.4	139.1
Programmes	2,900.2	3,142.6	242.4	2,434.6
Capital	1,030.7	1,872.9	842.2	1,254.5
J Grants to LA schools via ESFA	34,570.4	32,323.5	(2,246.9)	33,879.6
Programmes	31,506.2	30,356.6	(1,149.6)	30,434.7
Capital	3,064.2	1,966.9	(1,097.3)	3,444.9
K Grants to Academies via ESFA	17,648.9	19,360.3	1,711.4	17,402.8
Programme	16,976.1	18,618.1	1,642.0	16,792.2
Capital	672.8	742.2	69.4	610.6
L Higher Education	4,478.7	19,163.7	14,685.0	15,596.3
Programme	4,461.1	19,145.8	14,684.6	15,582.7
Capital	17.6	17.9	0.3	13.6
M Further Education	290.0	221.2	(68.8)	294.3
Programme	195.6	208.9	13.3	217.3
Capital	94.4	12.2	(82.2)	77.0
N Higher Education (ALB) (net)	1,884.9	1,963.8	79.0	1,840.9
Administration	85.2	88.3	3.1	71.0
Programme	1,572.4	1,666.5	94.1	1,577.4
Capital	227.3	209.0	(18.2)	192.5
O Further Education (ALB)(net)	2.3	11.0	8.8	10.6
Administration	-	7.1	7.1	4.5
Programme	2.3	2.2	(0.0)	6.0
Capital	-	1.7	1.7	0.1
Total Departmental Expenditure Limit	70,032.3	83,801.3	13,716.3	80,208.7

Annex A Detailed breakdown (continued)

Section / Expenditure	2017-18 Main Estimate (£m)	2017-18 Supp Estimate (£m)	Increase / (Decrease) (£m)	2016-17 Supp Estimate (£m)
Annually Managed Expenditure				
P Activities to Support all Functions	(9.4)	(8.0)	1.4	24.3
Provisions	(9.4)	(8.0)	1.4	24.3
Q Executive Agencies	(2.6)	(2.6)	0.0	(0.9)
Resource	(2.6)	(2.6)	0.0	(0.9)
R Higher Education AME	12,550.3	17,246.3	4,696.0	13,146.4
Resource (student loans)	(2,805.7)	(825.7)	1,980.0	(1,223.6)
Capital (student loans)	15,356.0	18,072.0	2,716.0	14,370.0
S Further Education AME	317.2	317.2	-	260.0
Capital	317.2	317.2	-	260.0
T Higher Education (ALB) AME	(20.1)	(16.4)	3.6	(20.3)
Resource	(20.1)	(16.4)	3.6	(17.3)
Capital	-	-	-	(3.0)
U Further Education (ALB) AME	(17.0)	(17.0)	0.0	12.6
Resource	(22.8)	(22.8)	-	9.0
Capital	5.8	5.8	-	3.6
Annually Managed Expenditure	12,818.4	17,519.4	4,701.1	13,422.1

To note; not all figures will tally exactly due to rounding in the above table.

Annex B Control Totals

This table shows the changes made to the main control totals for 2017-18, starting at the plans announced in the Spending Review 2015, and subsequent changes (e.g. Budget announcements and transfers between departments).

	RDEL Admin £m	RDEL Programme £m	RDEL TOTAL £m	Capital £m	RAME £m	CAME £m
Voted non-ring fenced	297.8	55,022.6	55,320.4	4,646.0	-	-
Voted ring-fence (depreciation)	23.0	3.0	26.0	-	-	-
2017-18 Parliamentary control totals as per Settlement Letter	320.8	55,025.6	55,346.4	4,646.0	-	-
Changes to 2017-18 budgets included in Mains Estimate 2016-17						
<u>Transfers to Other Government Departments</u>						
Transfer out to Department of Health - contribution to Schools Fruit and Vegetable Scheme		(21.0)	(21.0)			
Transfer out to Home Office - school security grant		(3.0)	(3.0)			
Transfer out to Dept for Business Innovation and Science - Business Information Modelling		(0.8)	(0.8)			
Transfer in from Department for Culture, Media and Sport - GEO and EHRC	17.5	14.9	32.4			
a) Total Transfers (to) / from OGDs	17.5	(9.9)	7.6	-	-	-
<u>Budget Day 2016 Changes</u>						
Education School Reforms: Academisation		170.0	170.0			
Education School Reforms: National Funding Formula		50.0	50.0			
Education School Reforms: Nation Funding Formula - exchange RDEL from 2016-17 to 2017-18		100.0	100.0			
Northern Schools Package		20.1	20.1			
Mentoring		3.0	3.0			
Longer School Day		67.5	67.5			
Breakfast Club		6.0	6.0			
PE and Sport Premium		93.0	93.0			
Re-profiled capital for Education School Reform programme		-	-	100.0		
b) Total Budget Day Changes	-	509.6	509.6	100.0	-	-
<u>Other Changes</u>						
Updated depreciation budget	(8.1)	-	(8.1)			
Addition of AME budgets					(60.5)	
c) Total other changes	(8.1)	-	(8.1)	-	(60.5)	-
Total changes to 2017-18 totals in the Mains Estimate (a+b+c)	9.4	499.7	509.1	100.0	(60.5)	-
2017-18 Parliamentary control totals at 2016-17 Main Estimate	330.2	55,525.3	55,855.5	4,746.0	(60.5)	-
Of which						
Voted Ring fenced						
Depreciation	14.9	3.0	17.9	-	-	-
Total Voted Ring-fenced control totals	14.9	3.0	17.9	-	-	-
Non ring-fenced control totals	315.3	55,522.3	55,837.6	4,746.0	(60.5)	-
Total 2017-18 Parliamentary control totals	330.2	55,525.3	55,855.5	4,746.0	(60.5)	-
2017-18 Parliamentary control totals at 2016-17 Main Estimate	330.2	55,525.3	55,855.5	4,746.0	(60.5)	-
Changes to 2017-18 totals included in Supplementary Estimate 2016-17						
<u>Transfers from Other Government Departments</u>						
Machinery of Government change - HE, FE and Apprenticeships	157.0	5,639.0	5,796.0	422.0	(2,285.3)	15,875.7
Machinery of Government change - HE, FE and Apprenticeships ringfenced budgets	30.8	3,487.0	3,517.8			
a) Total Transfers (to) / from OGDs	187.8	9,126.0	9,313.8	422.0	(2,285.3)	15,875.7
<u>Autumn Statement 2016</u>						
National Funding Formula, Academies and longer School Package		(316.0)	(316.0)			
Return NFF Funding		(50.0)	(50.0)			
Reprofiling for Longer School Day		(67.5)	(67.5)	209.5		
Grammar Schools funding			0.0	50.0		
b) Total Autumn Statement 2016 budget changes	-	(433.5)	(433.5)	259.5	-	-

Annex B Control Totals (continued)

	RDEL Admin £m	RDEL Programme £m	RDEL TOTAL £m	Capital £m	RAME £m	CAME £m
Other changes						
Budget Exchange to transfer RDEL programme budget to 2017-18	-	70.0	70.0	-	-	-
c) Total other changes	-	70.0	70.0	-	-	-
Total changes to the 2017-18 control totals inc the Supp Estimate (a+b)	187.8	8,762.5	8,950.3	681.5	(2,285.3)	15,875.7
2017-18 Parliamentary control totals at Supplementary Estimate 2016-17	518.0	64,287.8	64,805.8	5,427.5	(2,345.8)	15,875.7
Of which						
Voted Ring fenced						
Depreciation	45.7	3.0	48.7	-	-	-
Adult Education	-	115.0	115.0	-	-	-
Student Loan RAB charge	-	3,367.0	3,367.0	-	-	-
Total Voted Ring-fenced control totals	45.7	3,485.0	3,530.7	-	-	-
Non ring-fenced control totals	472.3	60,802.8	61,275.1	5,427.5	(2,345.8)	15,875.7
2017-18 Parliamentary control totals at Supplementary Estimate 2016-17	518.0	64,287.8	64,805.8	5,427.5	(2,345.8)	15,875.7
2017-18 Parliamentary control totals at Supplementary Estimate 2016-17	518.0	64,287.8	64,805.8	5,427.5	(2,345.8)	15,875.7
Changes to totals included in Mains Estimate 2017-18						
Transfers (to) / from other departments in the Main Estimate 2017-18						
Machinery of Government Change - transfer Internal programmes from BEIS	-	(1.0)	(1.0)	-	-	-
Budget Cover Transfer to Home Office for Syrian Refugees ESOL	-	-	-	(130.0)	-	-
Budget Cover Transfer to DCLG for Local Growth Funding for Skills	-	0.4	0.4	-	-	-
Budget Cover Transfer related to PF2 from HMT	0.5	8.1	8.6	5.1	-	-
Machinery of Government Change - transfer Internal programmes from BEIS	0.5	8.1	8.6	5.1	-	-
a) Total Net Transfers (to) / from OGDs	0.5	7.5	8.0	(124.9)	-	-
Spring Budget 2017						
Free Schools	-	16.0	16.0	-	-	-
Midlands Skills Challenge	-	1.0	1.0	-	-	-
GEO Returnships	-	2.1	2.1	-	-	-
GEO Centenary Fund	-	5.2	5.2	-	-	-
b) Total Spring Budget 2017	-	24.3	24.3	-	-	-
Other Changes						
Reprofiling for Longer School Day and switch to RDEL		12.0	12.0	(120.5)		
Changes to departmental AME			-		(514.7)	(196.8)
c) Total other changes	-	12.0	12.0	(120.5)	(514.7)	(196.8)
Total changes to the voted budgets inc the Main Estimate (a+b+c)	0.5	43.8	44.3	(245.4)	(514.7)	(196.8)
Main Estimate 2017-18 Parliamentary Control Totals	518.5	64,331.6	64,850.1	5,182.1	(2,860.5)	15,678.9
Of which						
Voted Ring fenced						
Depreciation	45.7	3.0	48.7	-	-	-
Adult Education	0.0	115.0	115.0	-	-	-
Student Loan RAB charge	0.0	3,367.0	3,367.0	-	-	-
Total Voted Ring-fenced control totals	45.7	3,485.0	3,530.7	-	-	-
Non ring-fenced control totals	472.8	60,846.6	61,319.4	5,182.1	(2,860.5)	15,678.9
Total 2017-18 Parliamentary control totals	518.5	64,331.6	64,850.1	5,182.1	(2,860.5)	15,678.9
Reconciliation of Mains Estimate 2017-18 to Net Resource Budget						
Main Estimate Parliamentary control totals	518.5	64,331.6	64,850.1	5,182.1	(2,860.5)	15,678.9
less grants paid to academy sector (estimate line K)	-	(16,976.1)	(16,976.1)	(672.8)	-	-
add net academies budgets	-	18,676.1	18,676.1	672.8	-	-
Net Resource Budget at Main Estimate 2017-18	518.5	66,031.6	66,550.1	5,182.1	(2,860.5)	15,678.9

Annex B Control Totals (continued)

	RDEL Admin £m	RDEL Programme £m	RDEL TOTAL £m	Capital £m	RAME £m	CAME £m
Changes to totals included in Supplementary Estimate 2017-18						
Budget Exchange						
National Funding Formula capital savings			-	(119.0)		
Budget Exchange - Resource DEL		(390.0)	(390.0)			
Budget Exchange - Capital DEL			-	(76.0)		
a) Total Budget Exchange	0.0	(390.0)	(390.0)	(195.0)	-	-
Transfers (to) / from other departments in the Main Estimate 2017-18						
Transfer in from BEIS Salix Energy Efficiency Fund				5.6		
Transfer in from HMT for PF2		0.4	0.4	-		
Transfer in from DHCLG for reimbursement of Mowden Hall land value			-	0.4		
Transfer to Cabinet Office for Suffrage Centenary Educate programme		(0.5)	(0.5)			
Transfer to DHSC for NI Abortion funding		(0.7)	(0.7)			
Transfer to Ofqual for Apprenticeship reform evaluation activities		(0.2)	(0.2)			
Transfer to Ofqual - FE Functional reform related activities		(0.5)	(0.5)			
Transfer to HMT - student loan master servicer costs		(0.5)	(0.5)			
b) Total Net Transfers (to) / from OGDs	0.0	(2.0)	(2.0)	6.0	-	-
Other changes						
Admin cost reclassification GEO / Centenary funding	0.3	(0.3)	-			
Cash Management Rebate	1.1		1.1			
Switch from programme to administration costs	24.0	(24.0)	-			
Change to provisions			-		2.0	
Impact of change in discount rate on provisions (excluding student loans)			-		3.0	
Switch to Academies budgets		(220.1)		(54.7)		
Student loan changes to loan issues and repayments			-			1,158.0
Student loans - other changes			-		1,980.0	1,558.0
c) Total other changes	25.4	(244.4)	1.1	(54.7)	1,985.0	2,716.0
Reserve Claim						
Increase in student loan RAB charge		14,765.0	14,765.0			
NI Abortion programme funding to be transferred to DHSC		0.7	0.7			
d) Total Reserve Claim	-	14,765.7	14,765.7	-	-	-
e) Budget Surrendered to HM Treasury						
	-	(142.0)	(142.0)	-	-	-
Control total changes during 2017-18						
Of which	25.4	13,987.3	14,232.8	(243.7)	1,985.0	2,716.0
non-ring-fenced	25.4	(777.7)	(752.3)	(243.7)	1,985.1	2,716.0
ring-fenced	-	14,765.0	14,765.0	-	-	-
2017-18 Control Total as at Supps Estimate						
Of which	543.9	78,318.9	78,862.8	4,938.4	(875.5)	18,394.9
non-ring-fenced	498.3	60,068.9	60,567.2	4,938.4	(875.5)	18,394.9
ring-fenced	45.6	18,250.0	18,295.6	-	-	-
Reconciliation of Supp Estimate 2017-18 to Net Resource Budget						
Main Estimate Parliamentary control totals	543.9	78,318.9	78,862.8	4,938.4	(875.5)	18,394.9
less grants paid to academy sector (estimate line K)	-	(18,618.1)	(18,618.1)	(742.2)	-	-
add net academies budgets	-	21,082.2	21,082.2	796.9	1,188.7	-
Net Resource Budget at Supp Estimate 2017-18	543.9	80,783.0	81,326.9	4,993.1	313.2	18,394.9

To note; not all figures will tally exactly due to rounding in the above table

Annex C Budgetary limits: outturn and plans 2012-13 to 2020-21

The table below shows the high level Resource Budget control totals for the Spending Review 2015 period, which includes the academies underlying expenditure rather than grants paid by the department (which is the basis of the Parliamentary control totals in Annex A).

Resource Budgetary Limits	Outturn 2012-13 £m	Outturn 2013-14 £m	Outturn 2014-15 £m	Outturn 2015-16 £m	Outturn 2016-17 £m	Plans 2017-18 £m	Plans 2018-19 £m	Plans 2019-20 £m	Plans 2020-21 £m
Departmental Expenditure Limit Resource									
Administration	614.5	572.1	542.1	485.9	510.1	543.9	499.9	484.2	
Programme	62,693.1	65,020.0	61,658.9	63,469.9	67,740.4	80,239.1	67,901.3	69,171.8	
Total DEL Resource	63,307.6	65,592.1	62,201.0	63,955.8	68,250.5	80,783.0	68,401.2	69,656.0	
Capital									
Programme	4,634.8	4,119.9	4,764.1	5,414.3	5,731.6	4,993.1	5,308.0	5,098.0	4,651.0
Total DEL Capital	4,634.8	4,119.9	4,764.1	5,414.3	5,731.6	4,993.1	5,308.0	5,098.0	4,651.0
Annually Managed Expenditure Resource									
Programme	(744.1)	(85.8)	(387.8)	(6,829.2)	(1,840.7)	313.2	(3,222.1)	(3,587.5)	(3,960.3)
Total AME Resource	(744.1)	(85.8)	(387.8)	(6,829.2)	(1,840.7)	313.2	(3,222.1)	(3,587.5)	(3,960.3)
Annually Managed Expenditure Capital									
Programme	6,247.6	8,482.8	19,562.6	11,642.2	13,072.2	18,394.9	18,705.0	21,558.0	23,668.6
Total AME Capital	6,247.6	8,482.8	19,562.6	11,642.2	13,072.2	18,394.9	18,705.0	21,558.0	23,668.6

The 2016-17 outturn is as stated in the DfE Consolidated Annual Report and Accounts 2016-17. Academy sector outturn for the department's financial year is not yet available. The 2016-17 outturn will be updated when this information is available.

Annex D Analysis of Schools' Capital Budgets

Schools capital funding is broadly spent on three categories:

- enabling Local Authorities to discharge their duty to ensure there are enough school places;
- maintaining the school estate, including rebuilds and refurbishments through the Priority Schools Building Programme; and
- facilitating education reform through the Free Schools programme and selective schools expansion programmes.

The budgets listed represent our best estimate of how money will be spent this year. While formulaic and bid-based lines are unlikely to change significantly, estimates relating to construction programmes are more likely to experience in-year changes, going up or down depending on, for example, the price of land and construction costs, and the quality and mix of applications to receive funding.

Programme	Open to new applications?	Type of school/ body eligible	Funding allocation approach	2017-18 budget (£m)	2016-17 budget (£m)
<i>Ensuring there are enough school places</i>					
Basic Need Funding This funding is provided to local authorities to support the provision of additional primary and secondary school places to meet the needs of the population. All taxpayer-funded schools within each local authority are eligible for this funding, including voluntary-aided schools, open academies, and new free schools.	N/A	Local authorities	Formulaic	1,544	1,577
<i>Maintaining the school estate</i> <i>The overall maintenance fund is apportioned based on pupil numbers to local authorities, schools, academies and sixth-form colleges.</i>					

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Programme	Open to new applications?	Type of school/ body eligible	Funding allocation approach	2017-18 budget (£m)	2016-17 budget (£m)
<p>Devolved Formula Capital This funding is given to schools to spend on maintenance. Local authorities are required to pass on the DFC allocation to each of their maintained schools. Voluntary aided schools and academies receive their allocation direct from the ESFA.</p>	N/A	All schools	Formulaic	206	204
<p>Condition Allocations (formerly Maintenance Allocations) This funding is to support the maintenance needs of schools and institutions. Funding is passed to local authorities for them to allocate to the needs of the schools that they maintain and for the Sure Start children's centres in their area. Non-maintained special schools and specialist post-16 institutions receive funding directly.</p>	N/A	Maintained and voluntary aided schools, Sure Start centres, non-maintained special schools, specialist post-16 institutions	Formulaic	622	663
<p>Condition Improvement Fund (CIF) This bid-based funding is awarded to projects that address condition and/or buildings compliance issues at academies and colleges. A small proportion of the fund is used for projects to expand existing facilities to accommodate more pupils or address a lack of specialist facilities.</p>	Annually	Academies, sixth forms and City Technical Colleges	Bid based	510	443
<p>Multi-Academy Trust Condition Allocations Funding allocated directly to multi-academy trusts with 5 or more schools and at least 3,000 pupils. (Funded in this way from 2015-16).</p>	N/A	Academies	Formulaic	130	98

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Programme	Open to new applications?	Type of school/ body eligible	Funding allocation approach	2017-18 budget (£m)	2016-17 budget (£m)
<p>Priority School Building Programme 1 This programme is rebuilding or refurbishing the schools in the poorest condition around the country. PSBP will also provide additional school places, by expanding schools when they are rebuilt.</p> <p>Priority School Building Programme 2 The second phase of the programme, targeting individual school buildings rather than whole school projects.</p>	No	All	Bid based	511	1,030
<p>Additional Maintenance Needs New demands or unpredictable events can cause additional pressures on maintenance spending. The department will allocate this funding as appropriate during the year.</p>	N/A	Various / all	Various	24	39

Facilitating education reform through Free Schools provision and selective schools expansion

<p>Free Schools, University Technical Colleges (UTCs) and Studio Schools The Free Schools capital budget covers the costs of purchasing and refurbishing sites to make them fit for purpose for a new school. Similar funding for UTCs and Studio Schools also comes from this budget.</p>	Yes	New schools proposers for FS, UTCs and SSs	Bid based	846	1,116
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Programme	Open to new applications?	Type of school/ body eligible	Funding allocation approach	2017-18 budget (£m)	2016-17 budget (£m)
<i>Total</i>				4,393	5,170

Annex E Breakdown of Schools budgets and expected spending per pupil

The table below provides the Resource DEL (RDEL) budget data included in the Estimates as at the Supplementary Estimate 2017-18. The per pupil rate is based on the average amount given to local authorities or 16-19 institutions for each pupil. Pupils with high cost Special Educational Needs receive funding on top of this amount. Per pupil rates are not provided for Early Years because with the introduction of 30 hours of free childcare, different children are eligible for different amounts of early education

Budget	2015-16		2016-17		2017-18	
	RDEL budget £m	Per pupil rate (where available) £	RDEL budget £m	Per pupil rate (where available) £	RDEL budget £m	Per pupil rate (where available) £
Schools budget (5-16 including high needs) ⁷						
Academies:	12,593	{4,612 ¹	15,496	{4,636 ¹	15,525 ⁵	{4,619 ¹
Other schools:	24,354		24,421		22,872	
Pupil Premium:	2,545 ²	N/A ²	2,463 ³	N/A ²	2,463	N/A ²
16-19 education budget						
Academies:	1,442	{4,431 ⁴	1,442	N/A ⁴	1,571 ⁶	N/A ⁴
Other schools:	776		526		1,027 ⁶	

¹ This is the average funding for all pupils. Pupils with high cost Special Educational Needs receive additional funding. This applies equally to academies and other schools.

² An average per pupil is not available.

³ Exact amount subject to final allocations. Please note this does not include the Early Years Pupil Premium budget

⁴ Applies equally to all institutions

⁵ Figures exclude depreciation but include Special and AP High Needs and Academies High Needs.

⁶ Includes post-16 High Needs

⁷ Schools budget amounts in 2017-18 exclude Free School Meals and PE & Sports

Annex F Explanation of key terms used in the Memorandum

Accounting Officer

A person appointed by the Treasury or designated by a department to be accountable for the operations of an organisation and the preparation of its accounts. The appointee is, by convention, usually the head of a Department or other organization, or the Chief Executive of an Arm's Length Body (ALB).

Administration Costs

A Treasury control on resources consumed directly by departments and agencies/NDPBs that forms part of the Departmental Expenditure Limit (DEL). It includes staff costs, accommodation and other overheads where they are not directly associated with frontline service delivery.

Ambit

The ambits are set out in Part I of the Departmental Estimate. Separate ambits are required for both expenditure and income in each budgetary category included in the Estimate (DEL, AME and non-budget). The ambit describes the activities for which provision sought in the Estimate will be used.

Annually Managed Expenditure

AME is spending included in Total Managed Expenditure (TME), which does not fall within Departmental Expenditure Limits (DELs). Expenditure in AME is generally less predictable and controllable than expenditure in DEL.

Departmental Expenditure Limit

This is spending within the department's direct control and which can therefore be planned over an extended period, such as the costs of its own administration, payments to local authorities and third parties, within education programmes.

Net Cash Requirement

The limit voted by Parliament reflecting the maximum amount of cash that can be released from the Consolidated Fund to a department in support of expenditure in its Estimate.

Section

An Estimate line within the Part II: Subhead detail table in an Estimate.