



Department
for Education

Department for Education Main Estimate 2015-16

**Memorandum to the Education Select
Committee**

July 2015

Department for Education Main Estimate 2015-16 Select Committee Memorandum

Table of Contents

	Page
Introduction and Summary.....	3
Key Activities Supported by the Above Provision	4
Explanation of Estimate Funding.....	5
Structural Changes to the Estimate.....	6
Significant Changes to Programmes and those with Increased Remit.....	6
Net Cash Requirement.....	10
Departmental Control Totals.....	11
Provisions and Liabilities.....	13
Contingent Liabilities	14
Departmental Accounting Officer	15
Detailed Breakdown of changes to Expenditure.....	16
Changes to Resource DEL since Spending Review 2013	18
Budgetary Limits Outturn and Plans 2008-09 to 2015-16.....	21
Explanation of Key Terms used in the Memorandum	22

Introduction and Summary

1. The purpose of this memorandum is to provide the Education Select Committee with additional information about the content of the Department for Education's Main Estimate for 2015-16. The memorandum includes information on the department's key priorities, as well as outlining the departmental budget control totals and the movements since the Spending Review settlement.
2. The Main Estimate voted provision (and comparison to 2014-15 equivalent budgets) is summarised in the table below:

Table 1 – Estimate Control Totals 2015-16

Budget	Supplementary Estimate 2014-15 £m	Main Estimate 2015-16 £m	Increase / (Decrease) £m
Departmental Expenditure Limit			
A. Resource	54,077.3	54,717.7	640.4
<i>Of which ringfenced:</i>			
Pupil Premium ¹	4,300.1	4,512.5	212.4
Depreciation	2,500.1	2,595.0	94.9
Free School Meals	1,253.0	1,227.5	(25.5)
Apprenticeship Grant for Employers - (AGE 16-24)	449.0	635.0	186.0
Youth Contract	56.0	55.0	(1.0)
	42.0	-	(42.0)
B. Capital	4,756.1	4,700.0	(56.1)
<i>Of which ringfenced:</i>			
Free School Meals	70.0	-	(70.0)
	70.0	-	(70.0)
C. Total Departmental Expenditure Limit	58,833.4	59,417.7	584.3
D. Annually Managed Expenditure Resource²	650.2	(19.8)	(670.0)
<i>Of which ringfenced:</i>			
Depreciation	73.0	-	(73.0)
	73.0	-	(73.0)
E. Total Managed Expenditure (LineC+D)	59,483.6	59,397.9	(85.7)
<i>Of which ringfenced:</i>			
Pupil Premium ¹	4,443.1	4,512.5	69.4
Depreciation	2,500.1	2,595.0	94.9
Free School Meals	1,326.0	1,227.5	(98.5)
Apprenticeship Grant for Employers - (AGE 16-24)	519.0	635.0	116.0
Youth Contract	56.0	55.0	(1.0)
	42.0	-	(42.0)
F. Net Cash Requirement	58,327.9	58,324.0	(3.9)

¹ This represents the total Pupil Premium budgets spread across the department. The increase in 2015-16 is largely due to the introduction of the Early Years Pupil Premium.

² The AME budgets do not include the academies non-cash budgets for provisions, depreciation etc. The academies related budgets will be included in the Supplementary Estimate exercise

3. The total Departmental Expenditure Limit (DEL) budget is £59,417.7 million, a net increase of £584.3 million on the £58,833.4 million DEL limit in the 2014-15 Supplementary Estimate. The main driver of the overall change in DEL budgets is the net increase in academy and EFA resource budgets which reflects departmental policy to protect the core schools budget in real terms. The £450 million reduction in departmental group budgets announced by the Chancellor on 4 June 2015 as part of the in-year savings exercise will come from a variety of measures including expected departmental underspends in demand-led budgets, efficiencies and some small budgetary reductions. A further £6m resource reduction has been made in Ofsted's programme budgets.
4. The majority of the department's resource budget is paid through the Education Funding Agency (EFA) (£53.1 billion including academy trusts), the largest proportion of which is the Dedicated Schools Grant (DSG) (£27 billion). This grant is paid by the department to local authorities and is either delegated to schools, early education providers or used for centrally managed provision for pupils. Another significant budget managed by EFA is the £11 billion General Annual Grant (GAG) funding to the academy trusts and free schools.
5. The key changes to resource budgets since this year are explained later under "Significant changes to programmes and those with increased remit." It is anticipated that both the DEL and cash budgets will change after the Main Estimate, especially in budgets related to Academy Trusts/free schools, and demand led programmes as we get updated information during the year on which to base our forecasts. These changes will be reflected in the 2015-16 Supplementary Estimate.
6. The £4.7 billion capital DEL limit is £56 million lower than in 2014-15, and similarly to resource, the majority (£4.1 billion) is managed by the EFA to provide funding for capital projects in existing schools and to finance new school buildings. The department has realigned its capital budget across financial years, recognising the complexity of investment in the building of new schools. More information on the changes to the capital budgets is provided on page 8.
7. Annually Managed Expenditure (AME) budgets are related to the release of provisions held by the department. The academies non-cash budgets will be included in the Supplementary Estimate exercise when we have budgetary data available. More information on the provisions is contained in paragraph 37 onwards.

Key Activities Supported by the Above Provision

8. The Department for Education is working to achieve a highly educated society in which opportunity is equal for children and young people, no matter what their background or family circumstances. It is currently responsible for the following education and children's services in England:
 - Teaching and learning for children in the early years and in primary schools
 - Teaching and learning for young people under the age of 19 years in secondary schools and in further education, or the ages of 3 and 25 for those with learning difficulties and disabilities
 - Supporting professionals who work with children and young people
 - Helping disadvantaged children and young people to achieve more

- Making sure that local services protect and support children.

9. The Government published the following priorities for 2014-15 before the election. The new Government will update these priorities in due course:

- Create a self-improving, school-led system
- Develop a great workforce of people working with children and young people – with strong leadership
- Increase rigour and expectations of curricula, assessment and behaviour
- Protect vulnerable children and increase opportunities for them
- Support schools to prepare well-rounded young people for success in adult life
- Remove unnecessary regulation and bureaucracy
- Allocate funding more fairly and effectively.

Explanation of Estimate Funding

Departmental Expenditure Limit

10. The Departmental Expenditure Limit (DEL) includes expenditure by the department and its agencies on running the organisation (e.g. pay), purchase of goods and services, current grants, capital expenditure on grants and assets, and non-cash costs including depreciation.

11. The 2015-16 limits are based on the department's 2013 Spending Review Settlement which has been adjusted for baseline movements such as budget announcements, transfers to and from other government departments, other funding drawdowns and changes in budgeting treatment. The annual baseline movements since the Spending Review are listed in Table 7 Changes to control totals on page 11.

12. Within DEL there are three separate control totals:

- Resource DEL - administration £292.9 million
- Resource DEL - programme £54,424.8 million
- Capital DEL - £4,700.0 million

13. In addition to the high level summary in Table 1, comparative information on the DEL budgets from 2008-09 to 2015-16 is detailed in Annex C. The DEL control totals for future years will be set in the forthcoming spending review.

Annually Managed Expenditure

14. Annually Managed Expenditure (AME) is expenditure that is demand led or exceptionally volatile which makes it difficult for departments to control. Our AME budgets are all classified as programme budgets in the Estimate.

15. As all of the department's demand led programmes, such as Initial Teacher Training, are included in the DEL control total, the only items in AME are non-cash funded items which include:

- the take up and release of provisions for the department, agencies and academies,

- the movement in pension deficits / surpluses allocated to academy trusts by the Local Government Pension Scheme (LGPS) in respect of some of their employees,
- depreciation on academy trusts donated assets,
- revaluations and impairments,

16. The Main Estimate only includes the take-up and release of departmental provisions for liabilities, excluding the academies. More information on the AME budgets in the Main Estimate is provided in paragraph 31. There is a separate Estimate and Memorandum covering the costs of the Teachers' Pension Scheme for England and Wales, which are classified as AME.

Structural Changes to the Estimate

17. The Estimate structure is based on the programme activities of the directorates within the department, with each executive agency having its own budget line. The structure has not changed this year.

Significant Changes to Programmes and those with Increased Remit

Departmental Expenditure Limit

Resource DEL – Administration Costs - £292.9 million

18. The administration cost control total includes the department, its agencies, and its other Arm's Length Bodies (ALBs). The main departmental administration budgets are in Section A, with the administration budgets for the agencies and ALB's shown separately in Sections E, F, G and H. The administration costs of academy trusts are classed as programme expenditure and consequently are not included in the DEL administration cost control total.

19. The DfE Review sought to reduce the administration costs of the department by 50% in real terms from 2010-11 by 2015-16. In order to meet this target the budgets for running the department have reduced by £30.1 million this year. The budget reductions have impacted across the whole department and the agencies, and we are on track to meet this cost reduction target.

Resource DEL – Programme Costs £54,424.8 million

20. The 2015-16 programme budgets have undergone a number of changes since the Spending Review in 2013. Full details of these changes can be found in Annex B, but the most recent changes which impacted on the DEL budgets are:

- Additional £10 million in the 2015 Budget for Universal Infant Free School meals
- Additional £156 million depreciation budget for academies
- £12.3 million has been transferred out to other departments (see Table 3 for details).

21. Annex A provides further detail on budgets within Sections. The following paragraphs provide further information on the more significant movements on programme budgets i.e. those Estimate Sections which have changed by more than 10%, plus the Education Funding Agency (as EFA holds the largest budgets within the department). The Sections with the significant changes are shown in Table 2:

Table 2 Budget changes greater than 10%

Section	Description	2014-15 budget £m	2015-16 budget £m	Increase / (Decrease) £m	% Change
C	Education Standards, Curriculum and Qualifications (Department)	219.7	357.2	137.5	63%
F	Standards and Testing Agency (STA)	39.7	47.2	7.5	19%
G	National College for Teaching and Leadership (NCTL)	384.3	435.8	51.5	13%
H*	Education Funding Agency (EFA) - Excluding Academies	37,733.6	36,618.8	(1,114.8)	-3%
I	Academies - Net	14,833.5	16,455.3	1,621.8	11%

* Although the decrease in EFA's budget is less than 10%, it has been included because it is such a significant budget. The overall budget for schools funding including academies and free schools funding in Section I has increased by £507m.

Education standards, curriculum and qualifications

22. Although the Section C budget for expenditure by the Education Standards Directorate is increasing from £219.7m in 2014-15 to £357.2m in 2015-16, the overall expenditure on educational standards is not changing significantly. The increase is the result of how we show budgets for grants held by the policy teams in the department which are paid to schools by EFA. In 2014-15 the department transferred the budget for these grants to EFA. In 2015-16 we have decided to retain the budget with the relevant policy team making it is possible to see the full cost of expenditure on standards, curriculum and qualifications.

Standards and Testing Agency (STA)

23. Programme expenditure by STA has increased from £39.7m to £47.2m because

- activities related to Assessment, Curriculum, Qualifications and Accountability have transferred from the policy team in Education Standards Directorate to STA.
- STA is responsible for new work relating to the assessment of children on entry into school.

National College for Teaching and Leadership (NCTL)

24. A significant proportion of NCTL's budgets are for demand led programmes, such as Initial Teacher Training, which historically have underspent on the initial Main Estimate budget. This trend continued in 2014-15, which resulted in NCTL budgets being decreased in the Supplementary Estimate. The 2015-16 budget requirements will not be confirmed until the Universities and Colleges Admissions Service (UCAS) data of actual recruitment is received in August; any changes will be reflected in the Supplementary Estimate.

Education Funding Agency (EFA)

25. The £1.1 billion net decrease in Education Funding Agency resource budgets is mainly due to:

- Dedicated Schools Grant (DSG) and Education Services grant (ESG) funding for schools in the local authority sector has decreased due more schools converting into

academies. As a result funding has switched from Section H to the Academies net budgets in Section I

- Free School Meals programme has increased because it is the first time the grant is being paid for the full financial year.

Academies (Net)

26. The budget for academies is increasing this year in line with the expansion in the number of academies and free schools planned to open during the financial year. There is a corresponding reduction in the DSG for the local authority schools which are converting to academy status.

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

27. We frequently transfer budgets to, and receive budgets from, other departments. The transfers can be the result of machinery of government changes or the transfer of funding for joint projects. In the Main Estimate we have made three budget transfers to other departments; two are for joint funded activities, and the third is a transfer of depreciation budget from the department to Ofsted.

28. The net impact of the changes is to decrease departmental programme budgets by £12.3 million. Tables 3 list the individual changes.

Table 3 - Transfers Out

Section	Destination Department	Reason	Amount £000
C Education Standards, Curriculum and Qualifications (Department)	Ofsted	Additional depreciation	(1,300)
D Children's Services and Departmental Strategy (Department)	Department for Communities and Local Government	Transfer funding for troubled families	(10,000)
	Cabinet Office	Funding for Kids Club	(1,000)
TOTAL BUDGET TRANSFERRED OUT TO OGDs			(12,300)

Capital DEL

29. The department's £4.7 billion capital budget is mainly spent enabling Local Authorities to discharge their duty to ensure there is enough school places; maintaining the school estate; undertaking major replacement and refurbishment projects for schools in the worst condition through the Priority Schools Building Programmes; and facilitating education reform through the Free Schools programme. The budgets by estimate section are summarised in Table 4.

Table 4 Capital DEL summary

Section Title	Capital Budget 2014-15 (£000s)	Capital Budget Main Estimate 2015-16 (£000s)	Increase / (Decrease) (£000s)
Section A: Activities to support all functions	15,140	13,821	(1,319)
Section B: School Infrastructure and Funding of Education	14,800	2,500	(12,300)
Section H: Education Funding Agency - excluding academies	4,204,024	4,115,299	(88,725)
Section I: Academies (Net)	522,213	568,380	46,167
CAPITAL DEL CONTROL TOTAL	4,756,177	4,700,000	(56,177)

30. The budgets in Table 4 reflect the continued investment in the refurbishment and replacement of those school buildings in the worst condition, and educational reform through the delivery of the Free Schools programme. The main changes to capital budgets are

- Spending in Section B has reduced as a result of the completion of some capital programmes.
- The decrease in the EFA's capital grants budget in Section H is largely due to the reduction in departmental budgets announced by the Chancellor on 4 June 2015. We are managing this reduction through the phasing of project delivery, not by reducing the scope of capital projects.

Annually Managed Expenditure

31. The £19 million negative AME budget is related to the net movement in departmental provisions. The budget is a negative amount because it currently only includes the accounting adjustment known as the release from provisions. The release from provisions offsets the cash payments (known as the utilisation of provisions) which are part of the resource DEL budgets. The key elements of the budget are:

Table 5 AME Budgets

Type of Provision	AME Budget 2014-15 (£000s)	AME Budget Main Estimate 2015-16 (£000s)	Increase / (Decrease) (£000s)
Property Provision	(738)	(289)	449
Early Departure Provisions	(11,128)	(17,199)	(6,071)
Other provisions	5,079	(2,270)	(7,349)
Academies	657,000	-	(657,000)
TOTAL AME	650,213	(19,758)	(669,971)

32. More information on the provisions is included in paragraphs 37 to 41.

33. The AME budget will be increased significantly in the Supplementary Estimate to include the academies' non-cash budgets when the academies' and free schools' budget information is available. These non-cash costs include the movement in the Local Government Pension

Scheme related to members working in academies and free schools, the revaluation and impairments costs of assets and depreciation on assets donated.

Net Cash Requirement

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

35. Table 6 details the reconciliation between the net resource 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, NDPBs resource expenditure, notional audit fee).

Table 6 Net Resource to Net Cash reconciliation

	Cash Requirement 2014-15	Cash Requirement Main Estimate 2015-16	Increase / (Decrease)
	£000	£000	£000
Net Resource	54,727,510	54,697,906	(29,604)
Net Capital	4,756,177	4,700,000	(56,177)
	59,483,687	59,397,906	(85,781)
Departmental depreciation	(26,020)	(28,777)	(2,757)
New provisions and adjustment to existing provision (eg discount rate change)	(11,574)	0	11,574
Use of provisions	18,361	19,758	1,397
Adjustment to replace NDPB resource outturn with Cash Grant in Aid*	(1,136,038)	(1,064,043)	71,995
Other non-cash items	(520)	(841)	(321)
Net resource to cash adjustments	(1,155,791)	(1,073,903)	81,888
Net Cash Requirement	58,327,896	58,324,003	(3,893)

* This includes academies net resource budgets in Sections I and L, and cash funding paid by EFA to academies

Departmental Control Totals

36. Table 7 shows how the Department's control totals have been changed since the Comprehensive Spending Review in 2010. It summarises changes to control totals during the Spending Reviews held in 2010 and 2013. A more detailed breakdown of 2015-16 in year changes from the 2013 Spending Review is provided at Annex B.

Table 7 Changes to control totals

	£000s	£000s	£000s	£000s	£000s
	2011-12	2012-13	2013-14	2014-15	2015-16
DEL Admin Resource					
CSR10	485,000	451,000	421,000	392,000	-
Main Estimate 2011-12	(15,989)	(17,192)	(16,487)	(15,817)	-
Supp 2011-12	(53,326)	438	443	448	-
Autumn Budget in Supp 11-12	-	(4,000)	(25,000)	(42,000)	-
Main Estimate 2012-13	-	(23,000)	-	-	-
Supp 2012-13	-	100	-	-	-
Main Estimate 2013-14	-	-	-	-	-
SR 2013	-	-	-	-	304,835
Supp 2013-14	-	-	(1,254)	(228)	(138)
Main Estimate 2014-15	-	-	-	(9,458)	(11,048)
Supp 2014-15	-	-	-	(1,987)	1,622
Main Estimate 2015-16	-	-	-	-	(2,400)
	415,685	407,346	378,702	322,958	292,871
DEL Prog Resource					
CSR10	50,723,000	51,682,000	52,519,000	53,502,000	-
Main Estimate 2011-12	105,080	264,785	(247)	(275)	-
Supp 2011-12	98,496	(18,848)	(20,800)	414,800	-
Autumn Budget in Supp 11-12	-	131,800	257,600	0	-
Main Estimate 2012-13	-	(15,000)	(37,000)	(36,000)	-
Supp 2012-13	-	(68,459)	134,611	(233,181)	-
Main Estimate 2013-14	-	-	33,842	298,682	-
SR 2013	-	-	-	-	53,778,435
Supp 2013-14	-	-	(396,095)	215,509	476,000
Main Estimate 2014-15	-	-	-	(6,658)	(8,777)
Supp 2014-15	-	-	-	(400,538)	23,035
Main Estimate 2015-16	-	-	-	-	156,100
	50,926,576	51,976,278	52,490,911	53,754,339	54,424,793
DEL Total Resource					
CSR10	51,208,000	52,133,000	52,940,000	53,894,000	-
Main Estimate 2011-12	89,091	247,593	(16,734)	(16,092)	-
Supp 2011-12	45,170	(18,410)	(20,357)	415,248	-
Autumn Budget in Supp 11-12	-	127,800	232,600	(42,000)	-
Main Estimate 2012-13	-	(38,000)	(37,000)	(36,000)	-
Supp 2012-13	-	(68,359)	134,611	(233,181)	-
Main Estimate 2013-14	-	-	33,842	298,682	-
SR 2013	-	-	-	-	54,083,270
Supp 2013-14	-	-	(397,349)	215,281	475,862
Main Estimate 2014-15	-	-	-	(16,116)	(19,825)
Supp 2014-15	-	-	-	(402,525)	24,657
Main Estimate 2015-16	-	-	-	-	153,700
	51,342,261	52,383,624	52,869,613	54,077,297	54,717,664

Table 7 Changes to control totals (continued)

DfE Main Estimate Memorandum 2015-16

	£000s	£000s	£000s	£000s	£000s
DEL Capital	2011-12	2012-13	2013-14	2014-15	2015-16
CSR10	4,932,000	4,213,000	3,266,000	3,378,000	-
Main Estimate 2011-12	125,856	-	-	-	-
Supp 2011-12	6,000	-	-	435,000	-
Autumn Budget in Supp 11-12	-	290,000	475,000	-	-
Main Estimate 2012-13	-	60,000	(60,000)	-	-
Supp 2012-13	-	(61,400)	301,600	755,700	-
Main Estimate 2013-14	-	-	-	-	-
SR 2013	-	-	-	-	4,569,000
Supp 2013-14	-	-	(1)	470,000	-
Main Estimate 2014-15	-	-	-	(8,550)	-
Supp 2014-15	-	-	-	(273,973)	275,000
Main Estimate 2015-16	-	-	-	-	(144,000)
	5,063,856	4,501,600	3,982,599	4,756,177	4,700,000
AME	2011-12	2012-13	2013-14	2014-15	2015-16
CSR10	156,447	282,342	384,221	472,092	-
Main Estimate 2011-12	(27,497)	(758)	(658)	(535)	-
Supp 2011-12	(127,943)	(287,000)	(389,000)	(477,000)	-
Autumn Budget in Supp 11-12	-	-	-	-	-
Main Estimate 2012-13	-	-	-	-	-
Supp 2012-13	-	1,076,384	-	-	-
Main Estimate 2013-14	-	-	(10,948)	1,544	-
SR 2013	-	-	-	-	(18,894)
Supp 2013-14	-	-	258,893	(460)	-
Main Estimate 2014-15	-	-	-	(14,763)	4,304
Supp 2014-15	-	-	-	669,335	-
Main Estimate 2015-16	-	-	-	-	(5,168)
	1,007	1,070,968	242,508	650,213	(19,758)
Totals by Event	2011-12	2012-13	2013-14	2014-15	2015-16
CSR10	56,296,447	56,628,342	56,590,221	57,744,092	-
Main Estimate 2011-12	187,450	246,835	(17,392)	(16,627)	-
Supp 2011-12	(76,773)	(305,410)	(409,357)	373,248	-
Autumn Budget in Supp 11-12	-	417,800	707,600	(42,000)	-
Main Estimate 2012-13	-	22,000	(97,000)	(36,000)	-
Supp 2012-13	-	946,626	436,211	522,519	-
Main Estimate 2013-14	-	-	22,894	300,226	-
SR 2013	-	-	-	-	58,633,376
Supp 2013-14	-	-	(138,457)	684,821	475,862
Main Estimate 2014-15	-	-	-	(39,429)	(15,521)
Supp 2014-15	-	-	-	(7,163)	299,657
Main Estimate 2015-16	-	-	-	-	4,532
	56,407,124	57,956,193	57,094,720	59,483,687	59,397,906

Provisions and Liabilities

37. There are four main categories of provisions for liabilities and charges. The balances at 31 March 2014, as reported in the Annual Report and Accounts 2013-14, are shown in Table 8 below. This information will be updated in the 2014-15 Annual Report and Accounts, to be published in the winter, and will be included in the Memorandum to the Supplementary Estimate.
38. The purpose of the early departure 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 paid to DfE employees who retire early, and compensation payments payable to employees who take early severance.
39. The Retirement Compensation provision was created for 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 NDPBs).
40. The property provision was set up to meet the future lease costs of surplus properties which were re-assigned to the Secretary of State when the Training and Enterprise Councils (TECs) and former ALBs were closed. The property provision is expected to end in 2018.
41. Other provisions include various different categories of provisions held by ALBs and former ALBs. This category of provision includes a provision resulting from 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. Details of other provisions held by the EAs and NDPBs can be found in their individual annual reports and accounts.

Table 8 Provisions and liabilities

Analysis by provision type

	Early Departure Costs £000	Retirement Compensation £000	Property Provision £000	Others £000	Total £000
Balance at 1 April 2013	18,130	159,965	6,180	9,454	193,729
Provided for in year	604	1,929	1,501	4,706	8,740
Provisions not required and written back	(586)	(208)	(1,054)	(370)	(2,218)
Provisions utilised in year	(5,130)	(12,800)	(1,556)	(7,530)	(27,016)
Borrowing costs (unwinding of discount)	293	3,562	(39)	-	3,816
Change in HMT's discount rate	122	6,450	2	-	6,574
Balance at 31 March 2014	13,433	158,898	5,034	6,260	183,625

Contingent Liabilities

42. Contingent liabilities are potential liabilities that are uncertain, and the department will only incur future expenditure if certain conditions are met or certain events happen. At the time of the Main Estimate, the department has twelve current contingent liabilities.

43. The following paragraphs provide more details of the individual indemnities and guarantees.

Statutory contingent liabilities

44. 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 their statutory duty for 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

45. The department is providing an indemnity to local authorities for potential costs on buildings they own, with existing Private Finance Initiative (PFI) arrangements, which will be used by academy trusts. This type of indemnity is considered to be low risk and is only a feature of the academies programme in very specific circumstances. These contingent liabilities only arise where an academy trust is using a local authority building with an existing PFI contract. As a result the transfer of the contingent liability to the DfE does not change the risk of the liability across the public sector; it simply moves it from local government to central government as schools with PFI liabilities convert from local authority to become academies. Parliament was notified on 26 February 2015 that as a result in the increase in the number of academies, the department now estimates the potential liability at £7.3 billion. To date the department has not received any claims against these PFI arrangements.

46. An indemnity for £5 million has been provided to Kent County Council for any unforeseen liability in respect of contamination, defect or asbestos presence at the Duke of York Royal Military school site.

47. The department has provided a £12.5 million guarantee to Tottenham Hotspur Property Company in relation to a commercial lease arrangement for an academy trust site.

48. The department has provided a guarantee to cover costs that would arise from the re-instatement of the Free School Norwich'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.

49. Liabilities that arise from Commercial / Educational Procurement Centre staff who have been made redundant and may seek redress through an Employment Tribunal. The estimated exposure is £62,000.

50. 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 group 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 current balance for this guarantee will reduce from £330,000 to £168,000 during this financial year.

51. For the purpose of calculating employee contributions, the Local Government Pension Scheme (LGPS) Administering Authorities view academy trusts as higher risk employers as they no longer have the financial backing of the local authority. Consequently, academy trusts are 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 LGPS. The upper limit of the guarantee has been increased from £6.5 million in 2014-15 to £8.5 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 divergence in employer contribution rates upon academy conversion.
52. CET Westminster Free School, a free school project required urgent approval of an indemnity to the Church Commissioners for the costs of potential legal challenge, without which the project could not proceed. The £5 million indemnity expires on 31 March 2017.
53. HM Treasury authorised the department to provide an indemnity and a guarantee to East London University Technical College in the event of the termination of the Funding Agreement for the cost of a fully serviced lease of up to £466,989.
54. The department has agreed to provide an indemnity to a free school, Tottenham University Technology College. The indemnity covers the costs on the 35 year lease on the site up to £16.5 million.
55. 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 £2.8 million.

Departmental Accounting Officer

56. This Memorandum has been prepared with reference to the guidance in the Estimate Manual provided by HM Treasury and available on the House of Commons and Scrutiny Unit website.
57. The Departmental Accounting Officer has personal responsibility for the content of the memorandum, and formal approval of the memorandum has therefore been obtained prior to submission to the Select Committee.

Detailed breakdown of changes to expenditure

Section / Expenditure	2014-15 Budgets (£m)	2015-16 Budgets (£m)	Increase / (Decrease) (£m)	2013-14 Outturn (£m)
Departmental Expenditure Limit				
A. Activities to Support all Functions	270.8	244.1	(26.7)	276.1
Administration	221.8	200.5	(21.3)	240.3
Capital	15.1	13.8	(1.3)	2.4
Other Resource	33.8	29.7	(4.1)	33.4
B. School Infrastructure and Funding of Education (Department)	166.6	158.2	(8.4)	123.1
Resource	151.8	155.7	3.9	128.1
Capital	14.8	2.5	(12.3)	(5.0)
C. Education Standards, Curriculum and Qualifications (Department)	219.7	357.2	137.5	174.0
Programme	219.7	357.2	137.5	174.0
D. Children's Services and Departmental Strategy (Department)	356.7	324.1	(32.7)	296.2
Programme	356.7	324.1	(32.7)	296.2
E. Children's Services and Departmental Strategy (NDPB) (Net)*	2.9	2.9	-	133.1
Admin	1.8	1.8	-	12.2
Programme	1.1	1.1	-	119.0
Capital	-	-	-	1.9
F. Standards and Testing Agency	45.4	52.9	7.5	42.3
Administration	5.7	5.7	-	5.6
Programmes	39.7	47.2	7.5	36.7
G. National College for Teaching and Leadership	402.8	451.4	48.6	397.1
Administration	18.5	15.6	(2.9)	21.4
Programmes	384.3	435.8	51.5	375.7

*The outturn is taken from the 2013-14 Consolidated Annual Report and Accounts and includes outturn for the Childrens And Family Court Advisory and Support Service, which transferred to the Ministry of Justice on 1 April 2014.

Detailed breakdown of changes to expenditure (continued)

Section / Expenditure	2014-15 Supp Estimate (£m)	2015-16 Main Estimate (£m)	Increase / (Decrease) (£m)	2013-14 Outturn (£m)
Departmental Expenditure Limit continued				
H. Education Funding Agency (Excluding Academies)	42,012.7	40,803.3	(1,209.4)	40,845.1
Administration	75.1	69.2	(5.9)	80.4
Programmes	37,733.6	36,618.8	(1,114.8)	37,871.1
<i>Of which:</i>				
<i>Dedicated Schools Grant</i>	27,755.0	27,183.0	(572.0)	
<i>Foundation Learning</i>	4,628.8	3,853.8	(775.0)	
<i>Maintained Sixth Forms</i>	991.0	821.0	(170.0)	
<i>Pupil Premium</i>	1,900.0	1,843.0	(57.0)	
<i>Apprenticeships</i>	781.6	779.0	(2.6)	
<i>Educational Services Grant</i>	711.0	566.0	(145.0)	
<i>Other</i>	966.22	1,573.0	606.7	
Capital	4,204.0	4,115.3	(88.7)	2,893.6
<i>Of which:</i>				
<i>Devolved</i>	2,230.0	1,933.0	(297.1)	
<i>Targeted</i>	2,060.6	2,156.6	96.0	
<i>Building Schools for the Future</i>	95.0	20.0	(75.0)	
<i>Other</i>	(182)	5.8	187.3	
I. Education Funding Agency - Academies (Net)	15,355.7	17,023.6	1,667.9	13,331.8
Programme	14,833.5	16,455.3	1,621.8	12,619.3
Capital	522.2	568.4	46.2	712.5
Total Departmental Expenditure Limit	58,833.5	59,417.7	584.2	55,618.8

Annually Managed Expenditure				
J. Activities to Support all Functions	(12.3)	(19.5)	(7.2)	(9.8)
Provisions	(12.3)	(19.5)	(7.2)	(9.8)
K. Activities to Support all Functions (Executive Agencies)	5.5	(0.3)	(5.8)	(0.8)
Provisions	5.5	(0.3)	(5.8)	(0.8)
Activities to Support all Functions (NDPBs)				7.1
Provisions	-	-	-	7.0
L. Academies (Net)	657.0	-	(657.0)	412.6
Provisions, Pensions & Depreciation	657.0	-	(657.0)	412.6
Annually Managed Expenditure	650.2	(19.8)	(670.0)	409.1

Changes to control totals since Spending Review 2013

Changes to 2015-16 control totals since Spending Review 2013	2015-16				
	Admin £000	Programme £000	Total RDEL £000	Capital £000	AME £000
Spending Review 2013	304,835	53,778,435	54,083,270	4,569,000	(18,894)
<i>of which:</i>					
Depreciation Ring Fence	24,000	1,049,387	1,073,387	-	-
Pupil Premium Ring Fence	-	2,545,000	2,545,000	-	-
Non Ring-Fenced	280,835	50,184,048	50,464,883	4,569,000	(18,894)
2015-16 Control Total at Spending Review 2013	304,835	53,778,435	54,083,270	4,569,000	(18,894)

Changes in Main Estimate 2012-13					
Budget Cover Transfers					
To Ministry of Justice for Youth Justice Board	-	(36,000)	(36,000)	-	-
From DCMS for Basic Needs	-	0	0	-	-
To DCMS from Basic Needs	-	0	0	-	-
Total Net Changes	-	(36,000)	(36,000)	-	-
2015-15 Control Total at Main Estimate 2012-13	334,631	53,880,525	54,215,156	3,813,000	-5,443
<i>of which:</i>					
Depreciation Ring Fence	20,000	6,586	26,586	-	-
Overseas Development Ring Fence	-	3,000	3,000	-	-
Pupil Premium Ring Fence	-	2,500,000	2,500,000	-	-
Non Ring-Fenced	314,631	51,370,939	51,685,570	3,813,000	-5,443
2015-15 Control Total at Main Estimate 2012-13	334,631	53,880,525	54,215,156	3,813,000	-5,443

Changes in Supplementary 2012-13					
Budget Cover Transfers					
Transfer to CO National Citizens Service	-	(140,000)	(140,000)	-	-
Transfer to BIS Estates (CSR10 Error)	-	(2,800)	(2,800)	-	-
Transfer to OFSTED Thematic Surveys	-	(361)	(361)	-	-
Transfer to DFID for ODA	-	(3,000)	(3,000)	-	-
Transfer from BIS ISPs	-	-	-	7,500	-
Transfer to MOD Cadet Funding	-	(900)	(900)	(1,700)	-
Autumn Statement					
<i>Of which:</i>					
Resource Budget Savings	-	(306,120)	(306,120)	0	-
Basic Need	-	-	-	592,900	-
Schools Maintenance	-	-	-	157,000	-
Budget Exchange	-	220,000	220,000	-	-
Total Net Changes	-	-233,181	(233,181)	755,700	-

2015-16 Control Totals at Supplementary Estimate 2012-13	334,631	53,647,344	53,981,975	4,568,700	-5,443
<i>of which:</i>					
Depreciation Ring Fence	20,000	6,586	26,586	-	-
Pupil Premium Ring Fence	-	2,500,000	2,500,000	-	-
Non Ring-Fenced	314,631	51,140,758	51,455,389	4,568,700	-5,443
2015-16 Control Totals at Supplementary Estimate 2012-13	334,631	53,647,344	53,981,975	4,568,700	-5,443

Main Estimate 2013-14 Changes affecting 2015-16					
Transfers					
Transfer to CLG (EIG)	-	(1,600,026)	(1,600,026)	-	-
Transfer from CLG LACSEG	-	1,028,806	1,028,806	-	-
Transfer from DWP Early Intervention Foundation	-	500	500	-	-
Transfer to BIS Career Helpline	-	(4,695)	(4,695)	-	-
Academy Depreciation	-	1,025,000	1,025,000	-	-
Budget Reduction	-	(150,903)	(150,903)	-	-
AME	-	-	-	-	-
Provision Utilisation changes	-	-	-	-	1,544
Total Net Changes	-	298,682	298,682	-	1,544
2015-16 Control Totals at Main Estimate 2013-14	334,631	53,946,026	54,280,657	4,568,700	(3,899)
<i>of which:</i>					
Depreciation Ring Fence	20,000	1,031,586	1,051,586	-	-
Pupil Premium Ring Fence	-	2,500,000	2,500,000	-	-
Non Ring-Fenced	314,631	50,414,440	50,729,071	4,568,700	(3,899)
2015-16 Control Totals at Main Estimate 2013-14	334,631	53,946,026	54,280,657	4,568,700	(3,899)

Changes to control totals since Spending Review 2013 (continued)

Changes to 2015-16 control totals since Spending Review 2013	2015-16				
	Admin £000	Programme £000	Total RDEL £000	Capital £000	AME £000
Supplementary Estimate 2013-14 Changes					
Transfers					
Transfer to DCMS - Child Internet Safety	(138)	-	(138)	-	-
BIS - ERASMUS	-	(3,000)	(3,000)	-	-
Autumn Statement					
Of which:					
Unprotected Resource back to Treasury	-	(156,000)	(156,000)	-	-
Free School Meals - Infant	-	590,000	590,000	-	-
Free School Meals - 6th Forms	-	45,000	45,000	-	-
Total Net Changes	(138)	476,000	475,862	-	-
2015-16 Control Totals at Supplementary Estimate 2013-14	280,697	50,660,048	50,940,745	4,569,000	(18,894)
of which:					
Depreciation Ring Fence	24,000	1,049,387	1,073,387	-	-
Free School Meals Ring Fence	0	635,000	635,000	-	-
Pupil Premium Ring Fence	0	2,545,000	2,545,000	-	-
Non Ring-Fenced	280,697	50,025,048	50,305,745	4,569,000	(18,894)
2015-16 Control Totals at Supplementary Estimate 2013-14	304,697	54,254,435	54,559,132	4,569,000	(18,894)
Main Estimate 2014-15 Changes to 2015-16					
Transfers					
MOG CAF/CASS to MoJ	(10,958)	(107,900)	(118,858)	-	-
MOG Contact to MoJ	-	(6,500)	(6,500)	-	-
MOG Erasmus to BIS	(90)	-	(90)	-	-
MOG from OFSTED ORCD	-	623	623	-	-
Budget Measures					
Apprenticeships	-	55,000	55,000	-	-
Pupil Premium	-	50,000	50,000	-	-
AME					
AME Provisions	-	-	-	-	4,304
Total Net Changes	(11,048)	(8,777)	(19,825)	-	4,304
2015-16 Control Totals at Main Estimate 2014-15	293,649	54,245,658	54,539,307	4,569,000	(14,590)
of which:					
Depreciation Ring Fence	23,434	1,049,387	1,072,821	-	-
Free School Meals Ring Fence	-	635,000	635,000	-	-
Age Apprenticeships Grants for Employers	-	55,000	55,000	-	-
Youth Contract	-	-	-	-	-
Pupil Premium Ring Fence	-	2,595,000	2,595,000	-	-
Non Ring-Fenced	270,215	49,911,271	50,181,486	4,569,000	(14,590)
2015-16 Control Totals at Main Estimate 2014-15	293,649	54,245,658	54,539,307	4,569,000	(14,590)
Supplementary Estimate 2014-15 Changes to 2015-16					
	Admin	Prog	Total	CDEL	AME
Transfers					
MOG to DCMS - Booktrust project	-	(5,400)	(5,400)	-	-
MOG to DWP - Relationship Support	-	(4,500)	(4,500)	-	-
MOG to DWP - Relationship Support	(33)	-	(33)	-	-
MOG to MoJ - Contact Centres	-	(65)	(65)	-	-
MOG to MoJ - Contact Centres	(131)	-	(131)	-	-
Reclassification					
RPA admin costs	-	-	-	-	-
Increase in Budget					
Autumn Statement VAT baseline adj	(914)	-	(914)	-	-
Autumn Statement Early Years intervention	-	3,000	3,000	-	-
Autumn Statement Careers	-	20,000	20,000	-	-
Autumn Statement Character	-	10,000	10,000	-	-
Budget Exchange	2,700	-	2,700	275,000	-
Total Net Changes	1,622	23,035	24,657	275,000	-

Changes to control totals since Spending Review 2013 (Continued)

Changes to 2015-16 control totals since Spending Review 2013	2015-16				
	Admin £000	Programme £000	Total RDEL £000	Capital £000	AME £000
2015-16 Control Totals at Supplementary Estimate 2014-15	295,271	54,268,693	54,563,964	4,844,000	(14,590)
<i>of which:</i>					
Depreciation Ring Fence	23,434	1,049,387	1,072,821	-	-
Free School Meals Ring Fence	-	-	-	-	-
Age Apprenticeships Grants for Employers	-	-	-	-	-
Youth Contract	-	-	-	-	-
Pupil Premium Ring Fence	-	-	-	-	-
Non Ring-Fenced	271,837	53,219,306	53,491,143	4,844,000	(14,590)
2015-16 Control Totals at Supplementary Estimate 2014-15	295,271	54,268,693	54,563,964	4,844,000	(14,590)

Main Estimate 2015-16 Changes					
Transfers					
BCT to DCLG for Troubled Families	-	(10,000)	(10,000)	-	-
BCT to Cabinet Office for Kids Club	-	(1,000)	(1,000)	-	-
Transfer depreciation to OfSTED	-	(1,300)	(1,300)	-	-
Budget Statement					
Additional funding for UIFSM	-	10,000	10,000	10,000	-
Depreciation ringfence	-	156,000	156,000	-	-
Reclassification					
Reclassification of delivery related admin budgets to programme	(2,400)	2,400	-	-	-
In-Year Savings Exercise					
Reduction in Capital DEL budget	-	-	-	(154,000)	-
AME					
Additional utilisation of provisions	-	-	-	-	(5,168)
Total Net Changes	(2,400)	156,100	153,700	(144,000)	(5,168)

Control Totals Main Estimate 2015-16	292,871	54,424,793	54,717,664	4,700,000	(19,758)
<i>of which:</i>					
Depreciation Ring Fence	23,434	1,204,087	1,227,521	-	-
Pupil Premium	-	2,595,000	2,595,000	-	-
Free School Meals	-	635,000	635,000	-	-
Age Apprenticeships	-	55,000	55,000	-	-
Non Ring-Fenced	269,437	49,935,706	50,205,143	4,700,000	(19,758)
2015-16 Control Totals	292,871	54,424,793	54,717,664	4,700,000	(19,758)

Budgetary limits: outturn and plans 2008-09 to 2015-16

Budgetary Limits	Outturn 2008-09 £m	Outturn 2009-10 £m	Outturn 2010-11 £m	Outturn 2011-12 £m	Outturn 2012-13 £m	Outturn 2013-14 £m	Plans 2014-15 £m	Plans 2015-16 £m
Departmental Expenditure Limit								
Resource								
Administration	392.5	395.5	409.9	373.9	387.6	359.9	323.0	292.9
Programme	46,265.0	49,016.3	50,071.0	49,907.5	51,689.1	51,653.4	53,754.3	54,424.8
Total Resource	46,657.5	49,411.8	50,480.9	50,281.4	52,076.7	52,013.3	54,077.3	54,717.7
Capital								
Programme	5,523.7	7,441.9	7,124.3	5,042.2	4,258.8	3,605.5	4,756.2	4,700.0
Total Capital	5,523.7	7,441.9	7,124.3	5,042.2	4,258.8	3,605.5	4,756.2	4,700.0
Annually Managed Expenditure								
Resource								
Programme	(11.3)	(30.2)	(50.7)	63.6	178.3	409.0	650.0	(19.8)
Total Resource	(11.3)	(30.2)	(50.7)	63.6	178.3	409.0	650.0	(19.8)

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.