National Audit Office

DEPARTMENTAL OVERVIEW 2019

# DEPARTMENT FOR EDUCATION

OCTOBER 2019

# DEPARTMENT FOR EDUCATION

This overview summarises the work of the Department for Education including what it does, how much it spends, recent and major developments, and what to look out for across its main areas.

**CONTENTS**



In this overview, financial years are written as, for example, '2018-19' and run from 1 April to 31 March; academic years are written as '2018/19' and run from 1 September to 31 August for schools, and from 1 August to 31 July for apprenticeships and further and higher education.

The National Audit Office (NAO) helps Parliament hold government to account for the way it spends public money. It is independent of government and the civil service. The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether government is delivering value for money on behalf of the public, concluding on whether resources have been used efficiently, effectively and with economy. The NAO identifies ways that government can make better use of public money to improve people's lives. It measures this impact annually. In 2018 the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £539 million.

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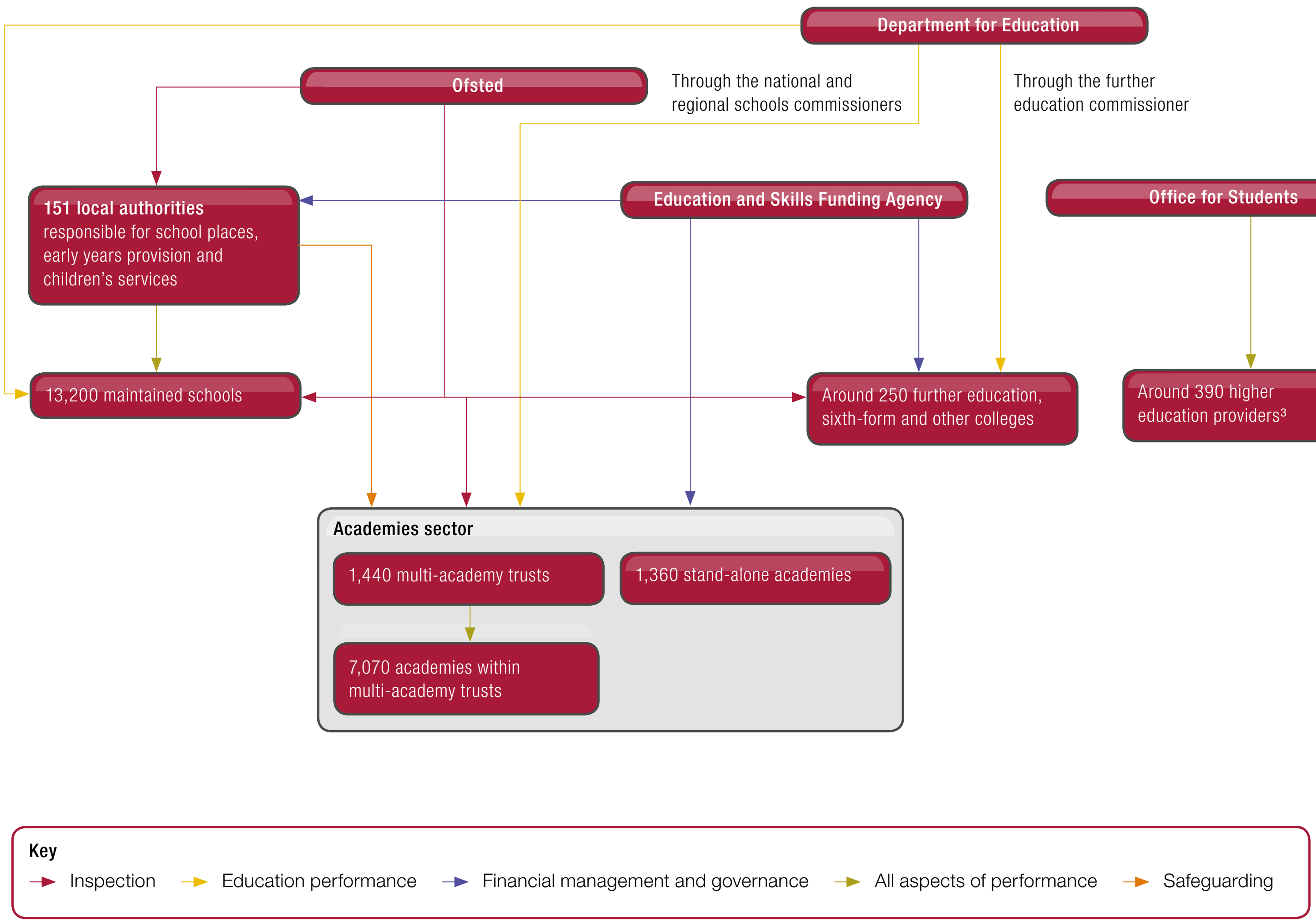
# About the Department

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

Oversight arrangements for education and children's services




In 2018-19, 11,600 staff worked in the Department and its agencies and non-departmental public bodies (4,500 in the Department alone).

The Department's vision is to provide world-class education, training and care for everyone in England, whatever their background. It aims to ensure that everyone has the chance to reach their potential, and live a more fulfilled life. With this in mind, it has set out seven principles that guide its work:

- ensure that academic standards match and keep pace with key comparator nations;
- strive to bring technical education standards in line with leading international systems; and
- ensure that education builds character, resilience and well-being.

To achieve this, the Department seeks to:

- recruit, develop and retain the best people to deliver education, training and care;
- prioritise the most disadvantaged people and places;
- protect the autonomy of institutions by intervening only where clear boundaries are crossed; and
- make every pound of funding count.



**Notes**

1 This is a simplified diagram showing only the main delivery and oversight bodies in the education system. For example, it does not include private early years providers such as childminders, or employers of people undertaking apprenticeships.

2 Numbers of schools are at January 2019; numbers of academy trusts and academies are at June 2019; numbers of further education, sixth-form and other colleges and higher education providers are at August 2019.

3 Higher education providers comprise providers funded via the Office for Students and alternative higher education providers which are regulated, but not funded, by the Office for Students.

# How the Department is structured

## Early years and schools group

Responsibility and oversight for early years and schools, including: early years; academies, free schools and regional delivery; the curriculum and qualifications; school accountability and safeguarding; supply and retention in the teaching workforce; school funding, analysis and infrastructure; and school strategy.

## Higher and further education group

Responsibility for oversight of higher and further education, including: student finance; funding for sixth forms and the adult education budget; careers advice; student choice; implementing the higher education primary legislation; and delivery of the post-18 education and funding review. The group is also responsible for international and EU Exit activity.

## Social care, mobility and disadvantage group

Responsibility for oversight of social care, mobility and disadvantage, including: promoting outcomes of disadvantaged pupils and young people; delivery of the special educational needs and disabilities strategy; delivering reforms to children's social care; and increasing social mobility through Opportunity Areas around the country. The group is also responsible for departmental strategy, including Spending Review preparations.

## Operations group

Responsibility for ensuring that the Department is resourced (people, data/information, finance and IT) to deliver its business objectives and that it has efficient and effective systems and processes; and delivering the Department's objectives for the school estate.

## Executive agencies

**ESFA** (Education and Skills Funding Agency): Responsibility for improving education and skills; administering funding; rolling out the apprenticeship, technical education and qualifications reform programmes; and delivering the National Apprenticeship Service and National Careers Service.

**STA** (Standards and Testing Agency): Develops the curriculum and sets tests to assess children in education from early years to the end of key stage 2.

**TRA** (Teaching Regulation Agency): Regulates the teaching profession.

## Executive non-departmental public bodies

**CITB** (Construction Industry Training Board): Works with employers to develop the skills of the construction industry workforce in England, Scotland and Wales.

**ECITB** (Engineering Construction Industry Training Board): Works with employers to develop the skills of the engineering construction industry workforce in England, Scotland and Wales.

**IFATE** (Institute for Apprenticeships and Technical Education): Oversees the development, approval and publication of apprenticeship standards and assessment plans, and is responsible for technical qualifications - the classroom-based element of the T Level.

**Located Property Limited (LocatED)** Responsible for buying and developing sites in England to deliver new school places.

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

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

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

**SWE** (Social Work England): Will regulate social workers in England and is working with the current regulator (the Health & Care Professions Council) with the aim of achieving a smooth transition to Social Work England.

## Advisory non-departmental public bodies

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

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

## Other bodies

**Aggregator Vehicle plc**: A public body set up to raise funding from investors to finance the design, construction and operation of publicly financed schools, as part of the Priority Schools Building Programme.

**Child Safeguarding Practice Review Panel**: An independent panel commissioning reviews of serious child safeguarding cases, to focus on improving learning, professional practice and outcomes for children.

**Independent Review Mechanism for Fostering and Adoption**: Provides independent panels that review decisions made by adoption and fostering providers.

**Office of the Schools Adjudicator**: Helps to clarify the legal position on admissions policies in schools.

There are two non-ministerial departments working in the sector:

**Ofqual**: Regulates qualifications, examinations and assessments in England.

**Ofsted**: Inspects and regulates services that care for children and young people and services that provide education and skills for learners of all ages in England.

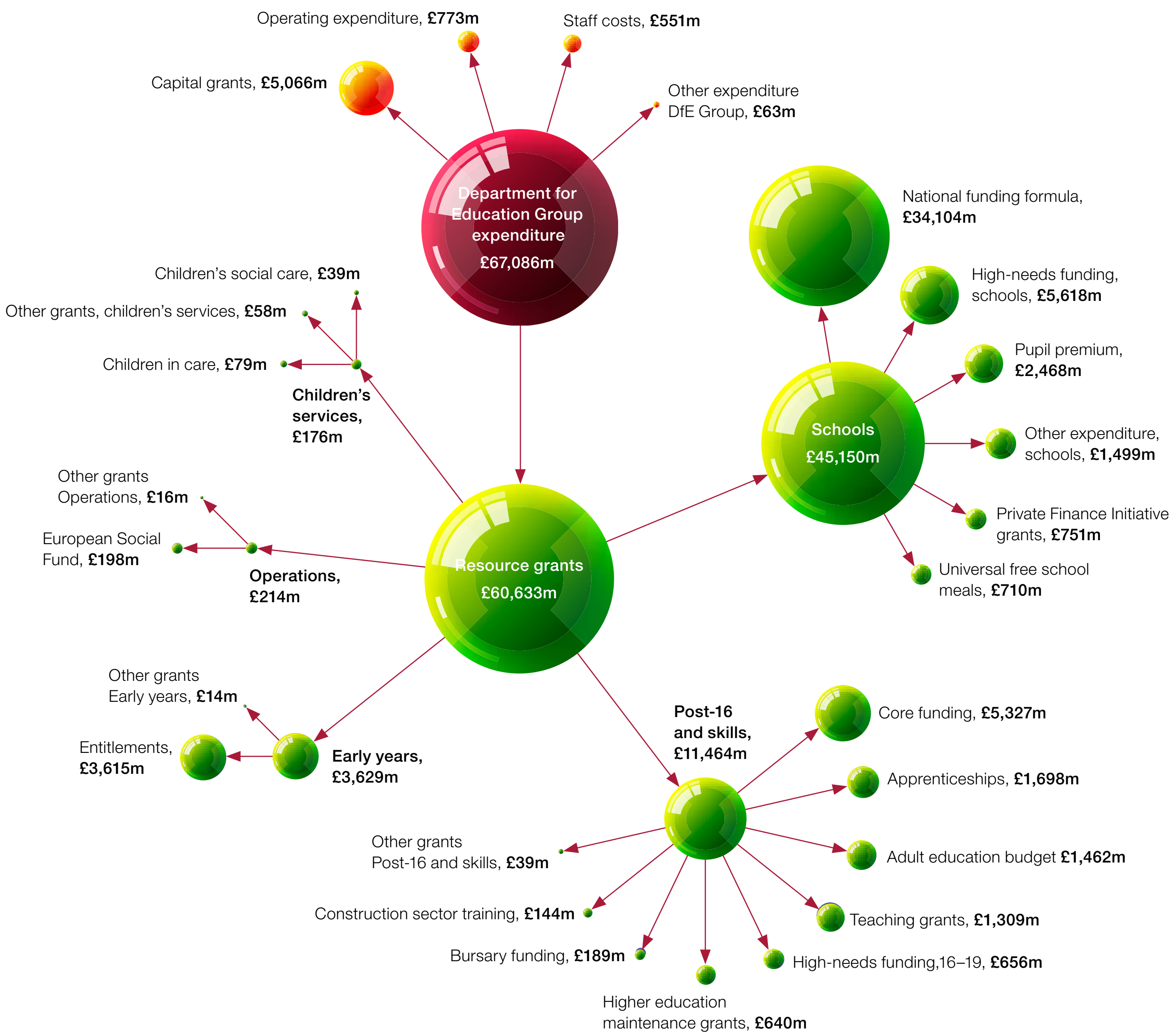
# Where the Department spends its money

## Department for Education Group expenditure in 2018-19

**The Department for Education Group consists of the core Department, its executive agencies and its non-departmental bodies. Group expenditure totalled £67.1 billion in 2018-19.[1]**

Resource (that is, non-capital) grants constituted 90% of the Group's expenditure; £56.7 billion (94% of resource grant expenditure) was spent via the Education and Skills Funding Agency.

Total departmental expenditure
Central departmental expenditure
Resource grants




**Notes**

1 In addition, the Department is responsible for the Teachers' Pension Scheme: England and Wales (the Scheme). This falls outside the Departmental Group as it has a separate supply estimate and produces its own resource account. In 2018-19, the Scheme had a net cash requirement of £3.6 billion. The Scheme's net resource outturn was £22.1 billion.

2 Capital grants include: school condition allocations (£1,851 million); basic needs schools capital grant (£1,228 million); the Free Schools Programme (£983 million); the Priority Schools Building Programme (£515 million); and life skills, disadvantage and special educational needs and disability (SEND) (£162 million). In addition, the Department's annually managed capital outturn for 2018-19 was £15.6 billion.

3 Operating expenditure includes spending such as programme expenditure; consultancy and professional fees; IT and telecommunication costs; building, maintenance and premises costs; and research and development costs.

4 Other expenditure includes depreciation and other non-cash charges.

5 Ofsted and Ofqual are not part of the Department for Education Group, as they are non-ministerial departments. The expenditure of each body is not included in the Department for Education Group expenditure figure above. In 2018-19, Ofsted's net expenditure was £126 million, and Ofqual's net expenditure was £18.2 million.

Sources: *Department for Education Annual Report and Accounts 2018-19; The Teachers' Pension Scheme (England and Wales) Annual Report and Accounts for the year ended 31 March 2019; Education and Skills Funding Agency Annual Report and Accounts 2018-19*

# Accounting for student loans

The government's student loan portfolio is expanding rapidly. The face value of all outstanding student loans held by the Department increased from £101.9 billion on 1 April 2018 to £116.7 billion on 31 March 2019.

The government plans to sell some student loans between 2017 and 2022, but the annual sales do not offset the value of new loans issued. The sold loans are older loans, made under the terms used before tuition fees were increased in 2012. The balance of the loan portfolio is therefore shifting to more recent loans, which tend to be larger.

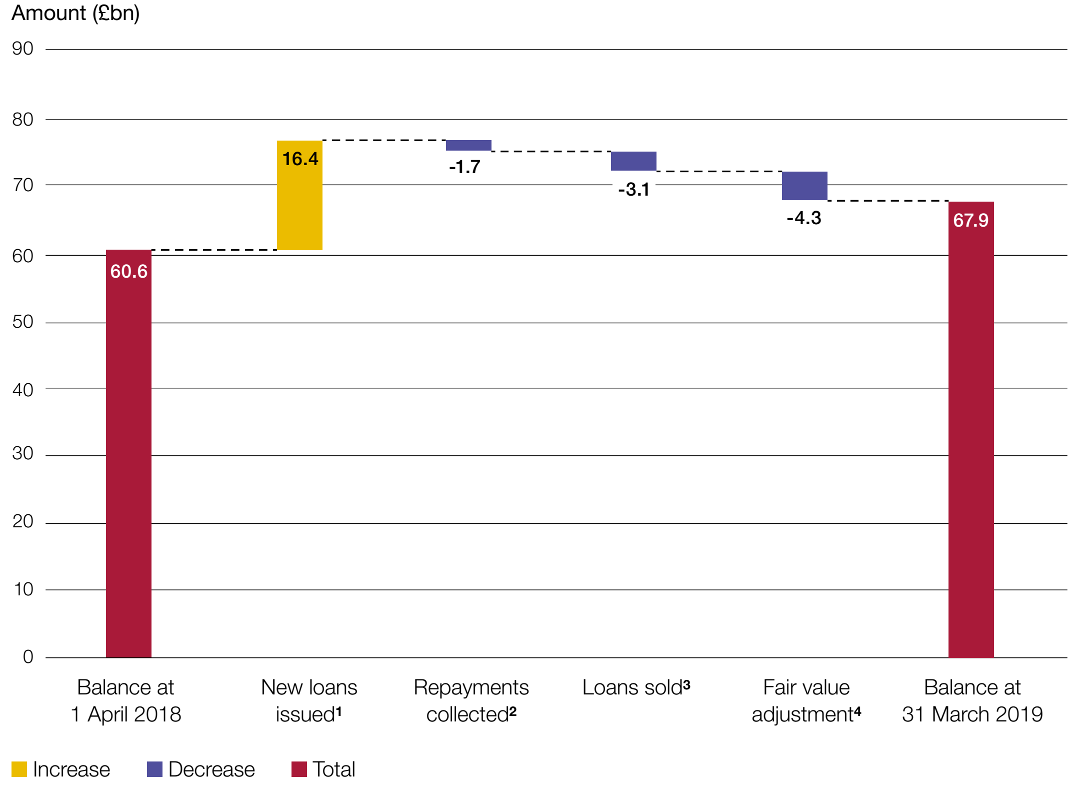
In its financial statements, the Department records student loans in terms of their 'fair value', which is an estimate based on expected future cash receipts.

Because of the terms of student loans (including writing off loans after a fixed period), the fair value is lower than the face value of the outstanding loans. The fair value of student loans increased from £60.6 billion in 2017-18 to £67.9 billion in 2018-19.

The net expenditure for student loans in the 2018-19 financial statements was £5.4 billion, which is also the resource budget impact. In addition, there is a capital budget impact of £15.6 billion.

In December 2018, the Office for National Statistics determined that, in the UK National Accounts, student loans should be accounted for on a basis more closely aligned with the treatment in the Department's financial statements. As a result, instead of recognising the face value of the loans until they are written off, the National Accounts will in future write off, on issue, the portion of loans not expected to be repaid. This will lead to a reduction in the loans balance, and an increase in government net expenditure in the National Accounts, similar to that seen in the Department's financial statements.

## Change in the fair value of student loans in 2018-19




**Notes**

1 New loans are issued to students by the Student Loans Company. This value is a cost to capital budget.

2 Repayments are collected from students by HM Revenue & Customs (through PAYE and self-assessment) and by the Student Loans Company (direct repayments). This value is a benefit to capital budget.

3 The reduction brought about by the 2018 sale was the fair value of sold loans at the date of sale. Sale proceeds were lower than fair value, leading to a loss on sale. This is a different treatment from that used in public sector finances and the National Accounts. The accounting value disposed is a benefit to capital budget, and the loss (excess of accounting value over proceeds) is a cost to resource budget and net expenditure.

4 The fair value adjustment aligns the student loans balance with the fair value, which is estimated as at 31 March each year. This value is a cost to resource budget and net expenditure. Included in this value is an element of capitalised interest, which is a cost to capital budget.

Source: National Audit Office

# Spending on education

**Institute for Fiscal Studies analysis**

In September 2019, the Institute for Fiscal Studies (the IFS) published its second Annual report on education spending in England.

Key findings included that:

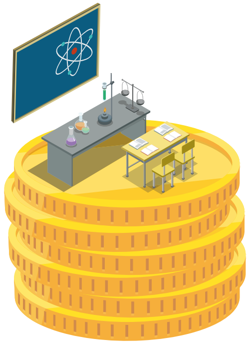
- spending on free early education and childcare places increased by 140% between 2009-10 and 2018-19, to £3.8 billion;
- total school spending per pupil fell by 8% in real terms between 2009-10 and 2018-19;
- funding per student aged 16-18 has seen the biggest squeeze of all stages of education for young people in recent years; and
- each cohort entering higher education costs around £17 billion. Of this total, £9 billion is expected to be paid for through graduate contributions. The long-run cost to government is therefore expected to be about £8 billion – £7.4 billion through unrepaid student loans and £700 million in up-front grants.

The IFS concluded that overall the picture of government spending on education has changed significantly over the past 25 years, with the focus of spending shifting towards earlier in young people's lives. Most stages of education have seen significant real-terms increases in spending per pupil over this period, with 16–18 education a notable exception.

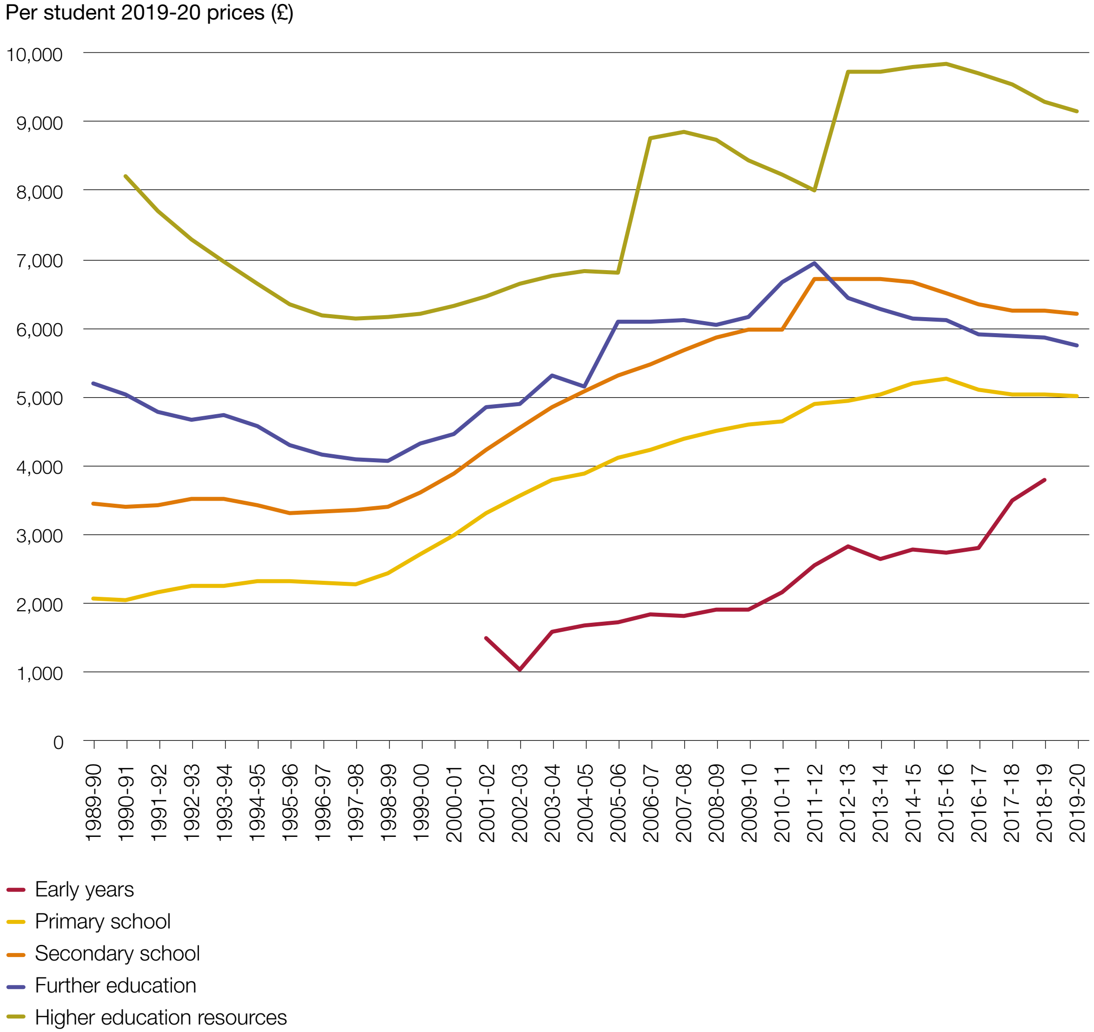
**2019 spending round**

In September 2019, the Chancellor of the Exchequer made a statement on government spending plans for 2020-21. The undertakings in relation to education included:

- increasing school spending by £7.1 billion in cash terms by 2022-23, compared with 2019-20;
- increasing further education spending for 16- to 19-year-olds by £400 million in cash terms in 2020-21; and
- increasing early years spending by £66 million in cash terms in 2020-21.



Spending per pupil or student per year at different stages of education: actual and plans (2019-20 prices)




Source: Institute for Fiscal Studies, *2019 Annual Report on Education Spending in England*, September 2019

# Exiting the European Union

**The government has instructed departments to prepare for the United Kingdom (UK) leaving the European Union (EU). The UK is scheduled to leave on 31 October 2019.**

**Since 2016, the government has allocated more than £6.3 billion to help departments and the devolved administrations to prepare for the UK's exit from the EU. The Department for Education was not among the departments that received a specific allocation.**

In April 2018, the Department for Exiting the EU wrote to the Committee of Public Accounts with a summary of the workstreams under way to implement EU Exit. It stated that the Department had 11 active workstreams relating to policies affected by leaving the EU. These covered issues relating to access to education and training, the higher education sector, EU-funded education programmes, skills and training provision in the UK, and sectoral workforces.

The Department's Annual Report and Accounts for 2018-19 referred to the preparations for EU Exit. The Department's Implementation Committee, which scrutinises performance and delivery, has considered the challenges presented by EU Exit, particularly in the event of a 'no deal'; and the Department's Leadership Team has considered the Department's EU Exit resourcing. In 2019-20, the Department expects that its finance function will continue to work with other government departments to support the EU Exit negotiations and understand the financial implications of exiting the EU.

The Department has seconded staff to other government departments, such as HM Revenue & Customs and the Department for Environment, Food & Rural Affairs, to support preparations for leaving the EU. The Department has not charged for these staff costs.

On 19 August 2019, the Department published a set of guidance documents, including coverage of a 'no deal' scenario. These included guidance for: local authority children's services; schools; further education and apprenticeship providers; higher education institutions; those studying in the European Union; and data protection by education providers. Although the guidance is primarily aimed at England, nearly all the guidance applies throughout the United Kingdom.

Erasmus+ is an EU programme for education, training, youth and sport. A government underwrite guarantee will cover the payment of awards to UK applicants for all successful Erasmus+ bids. Students who are abroad on the day the UK leaves the EU should be able to continue their placements. In 2016/17, Erasmus+ supported around 16,600 UK students and trainees to study or train, and 3,200 staff to teach or train, elsewhere in the EU. It also supported around 31,700 students and trainees to study or train, and 4,800 staff to teach or train, in the UK from elsewhere in the EU.

**National Audit Office report findings**

The National Audit Office has produced a range of work on EU Exit (available here), including a report in June 2019 on *Departments' use of consultants to support preparations for EU Exit*, which provided information on departmental spending on consultancy. The report showed that the Department had spent £0.5 million between April 2018 and April 2019 through the Cabinet Office's EU Exit call-off arrangement with consultancy firms, out of a total of £65 million spent by government through the arrangement in that period.

# Recent major developments

**January 2018**

Ofsted starts using a new *Framework, evaluation criteria and inspector guidance for the inspection of local authority children's services*. Under the new framework, inspectors may carry out focused visits in-between full inspections.

**April 2018**

The Office for Students, which is responsible for funding and regulating higher education providers in England, begins operating, following the closure of the Higher Education Funding Council for England.

**April 2018**

The two-year transitional period for the national funding formula for schools begins. During 2018-19 and 2019-20, the Department will use the new formula to calculate notional allocations for individual schools and the total schools budget for each local authority area. Local authorities will continue to distribute funding to schools using local funding formulae during this period.

**December 2018**

The government completes the second sale of part of the student loan book to private investors. This sale was of a batch of English loans that began to be repaid between 2007 and 2009.

**December 2018**

The Office for National Statistics announces the conclusion of its review of the treatment of student loans in public sector finances, including its decision to treat student loans partly as financial assets (loans) and partly as government expenditure (capital transfers) to reflect elements that will never be repaid.

**January 2019**

The government introduces a statutory insolvency regime for colleges. The legislation sets out how colleges will be managed if they become insolvent, with a focus on avoiding or minimising disruption for existing learners.

**January 2019**

The Institute for Apprenticeships takes on responsibility for key elements of T levels, and becomes the Institute for Apprenticeships and Technical Education. The Department is implementing T levels as a technical alternative to the academic option of A levels, as part of a reformed skills training system. The introduction of T levels is one of the Department's major projects.

**January 2019**

The Department publishes its *Teacher Recruitment and Retention Strategy*. The strategy sets out the Department's vision to make sure careers in teaching are attractive, rewarding and sustainable.

**May 2019**

The government publishes the *Timpson review of school exclusion*. The review explored how headteachers use exclusion in practice, and why some groups of pupils are more likely to be excluded.

**May 2019**

The government publishes the independent panel report to the *Post-18 review of education and funding* (known as the *Augar review*). The review assessed the system of tertiary education and made recommendations about how it could be strengthened, in the light of current performance and expected future challenges.

**July 2019**

The Department publishes the third *Consolidated annual report and accounts for the academy school sector in England*. This set out the consolidated performance and financial results for all academy schools in England over the 2017/18 academic year.

**September 2019**

The Department announces a major review into support for children with special educational needs and disabilities.

**September 2019**

Ofsted starts using its new *Education inspection framework* to inspect schools, early years settings and further education and skills providers in England. Under the new framework Ofsted aims to focus on making sure that learners are receiving high-quality education or training, to put them on a path to future success.

# Academy finances



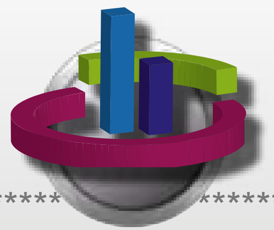
**Academies are independent state schools directly funded by the Department via the Education and Skills Funding Agency (the ESFA). In the year ending 31 August 2018, the academies sector spent £25.7 billion, 56% of total departmental spending on schools.**

Academies are independent of local authorities and have more freedoms than local authority maintained schools. For example, they can set staff pay and conditions and determine their own curriculum. Each academy school must be part of an academy trust, a charitable company that manages the school budget and employs the staff. Most are part of multi-academy trusts that bring together groups of academy schools.

## Financial risks

At 31 August 2018, the academies sector had a total surplus for the year of £3.0 billion (compared with £3.4 billion at 31 August 2017). The total aggregate cumulative deficit was £78 million (£65 million at 31 August 2017), compared with a total aggregate cumulative surplus of £2.5 billion (£2.4 billion at 31 August 2017).

Academy trusts with a cumulative deficit are required to agree a recovery plan with the ESFA. A total of 113 academy trusts (4%) had a cumulative deficit in both 2017/18 and 2016/17.



## Salaries

There were concerns that some academy trusts appeared to be using public money to pay excessive salaries. The ESFA therefore challenged academy trusts paying salaries of £150,000, or two or more salaries of more than £100,000, asking for information on the rationale for the level of pay and the due process followed in setting the salaries.

During 2017/18, 146 academy trusts paid at least one individual more than £150,000, compared with 125 trusts in 2016/17. In 2017/18, 988 academy trusts made salary payments of between £100,000 and £150,000, compared with 941 in 2016/17.

## Related-party transactions

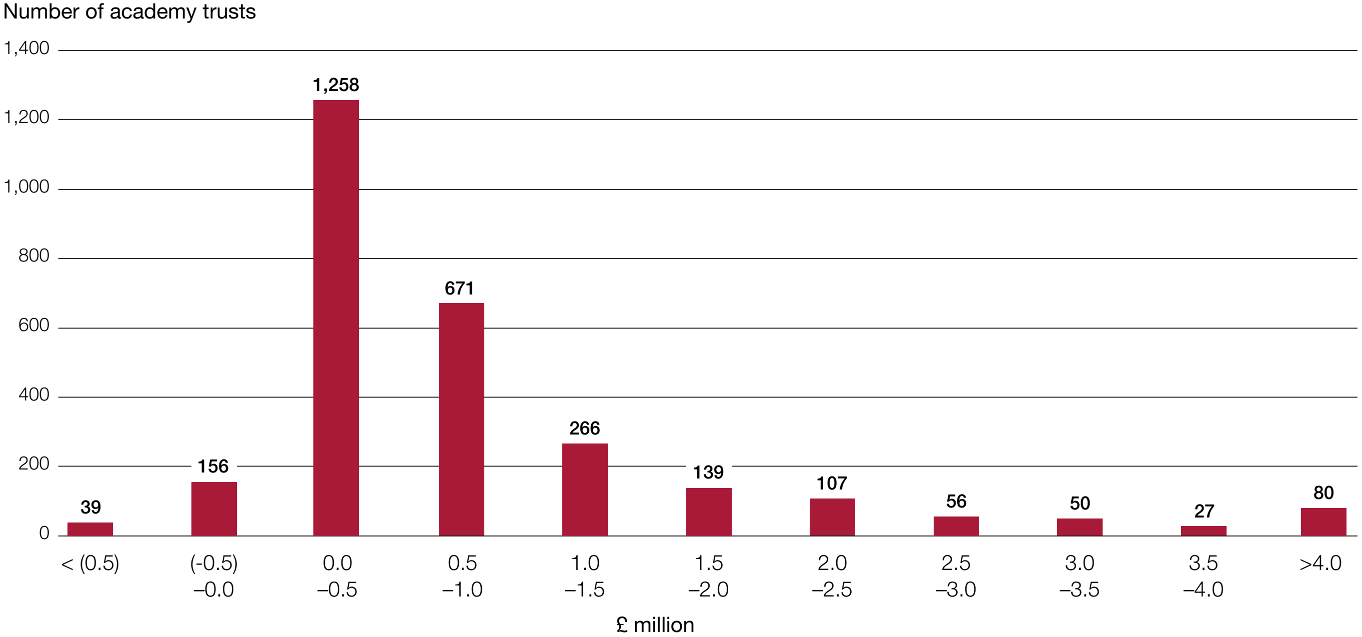
Following concerns that the Department's rules around related-party transactions were too weak to prevent abuse, the ESFA has strengthened controls. Since April 2019, academy trusts have had to declare their intention to enter into an agreement with a related party. They must also seek approval from the ESFA before they agree any related-party transaction exceeding £20,000.

The total value of payments to related parties fell from £134 million in 2016/17 to £105 million in 2017/18. The total value of receipts from related parties rose from £105 million in 2016/17 to £139 million in 2017/18.

# Academy finances *continued*

## Academy trusts by size of cumulative deficit or surplus, at 31 August 2018

**At 31 August 2018, 195 academy trusts were in cumulative deficit**




Source: Department for Education, *Academy schools sector in England: Consolidated annual report and accounts for the year ended 31 August 2018*, July 2019 (Figure 1a)

# Support for children



The Department's responsibilities include helping disadvantaged children and young people to achieve more, and making sure that local services protect and support children. Most funding for children's social care services is provided to local authorities by the Ministry of Housing, Communities & Local Government. The Department of Health & Social Care is also an important partner, particularly with regard to children's mental health.

### National Audit Office report findings

Our January 2019 report on *Pressures on children's social care* noted that the number of referrals to children's social care increased by 7% between 2010-11 and 2017-18, broadly in line with growth in the 0–17 population of England. However, the most expensive cases, where children are taken into care, rose by almost triple the rate of population growth.

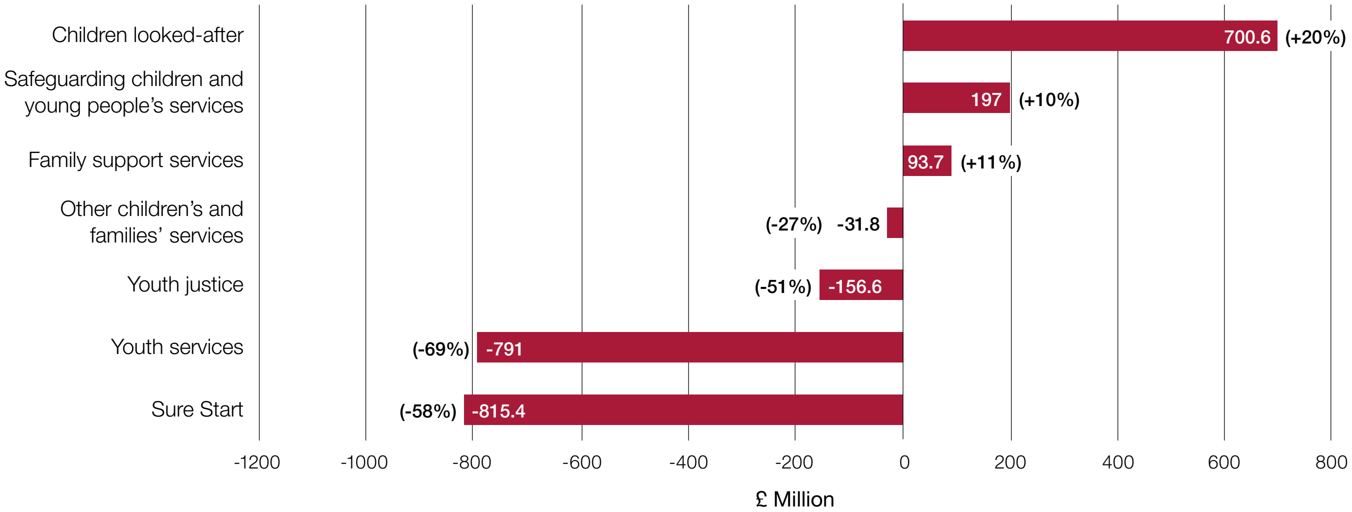
Although the number of children placed in residential care by local authorities increased by 9.2% between 2013-14 and 2017-18, the cost increased by 22.5% in real terms. Only 32% of local authorities reported that they had access to enough residential homes for children aged 14 to 15 years, and 41% for those aged 16 to 17.

Local authorities are budgeting to spend £4.2 billion on looked-after children in 2018-19, which is £350 million (9.1%) more than they budgeted to spend in 2017-18. In 2017-18, the amount spent per 'child in need episode' ranged between £566 and £5,166 per year across different local authorities.

Our October 2018 report on *Improving children and young people's mental health services* noted that 10% of five- to 16-year-olds have a mental health condition, although as little as 25% of children and young people with a diagnosable condition actually access services.

Change in expenditure on children's social care, all local authorities in England, 2010-11 to 2017-18 (real terms in 2017-18 prices)

**Spending on safeguarding children and young people's services, family support services and looked-after children have all increased by more than 10%**




Note

1 Data taken from the Department for Education's Section 251 data, used for this graphic because it allows greater breakdown of spending across different time periods.

Source: Comptroller and Auditor General, *Pressures on children's social care*, Session 2017–2019, HC 1868, National Audit Office, January 2019 (Figure 13)

A nationally representative survey of schools and colleges conducted on behalf of the Department indicated that most schools provide some form of mental health support, but few provided clinical services. In 2014 and 2015, the government announced £1.4 billion of transformation funding for children's and young people's mental health services.

Jointly with the Department of Health & Social Care, the Department also committed a further £300 million to focus on developing the links between schools and health services, as part of implementing *Transforming Children and Young People's Mental Health Provision: a Green Paper* from the end of 2018.

# Support for children *continued*



Pupils with special educational needs and disabilities (SEND) have diverse needs of different levels of severity, and may have more than one type of need. The most commonly identified needs are speech, language and communication needs, and moderate learning difficulties.

At January 2019, 1.3 million pupils in England (14.9% of all pupils) were recorded as having SEND. Nearly 21% of these pupils had legally enforceable entitlements to specific packages of support, set out in education, health and care plans (EHC plans). The remaining 79% did not have EHC plans, but had been identified as needing additional support at school.

## National Audit Office report findings

Our September 2019 report on *Support for pupils with special educational needs and disabilities in England* found that, in 2018-19, the Department provided an estimated £9.4 billion specifically to support pupils with SEND. This represented 24% of the 'dedicated schools grant' allocated to local authorities for schools.

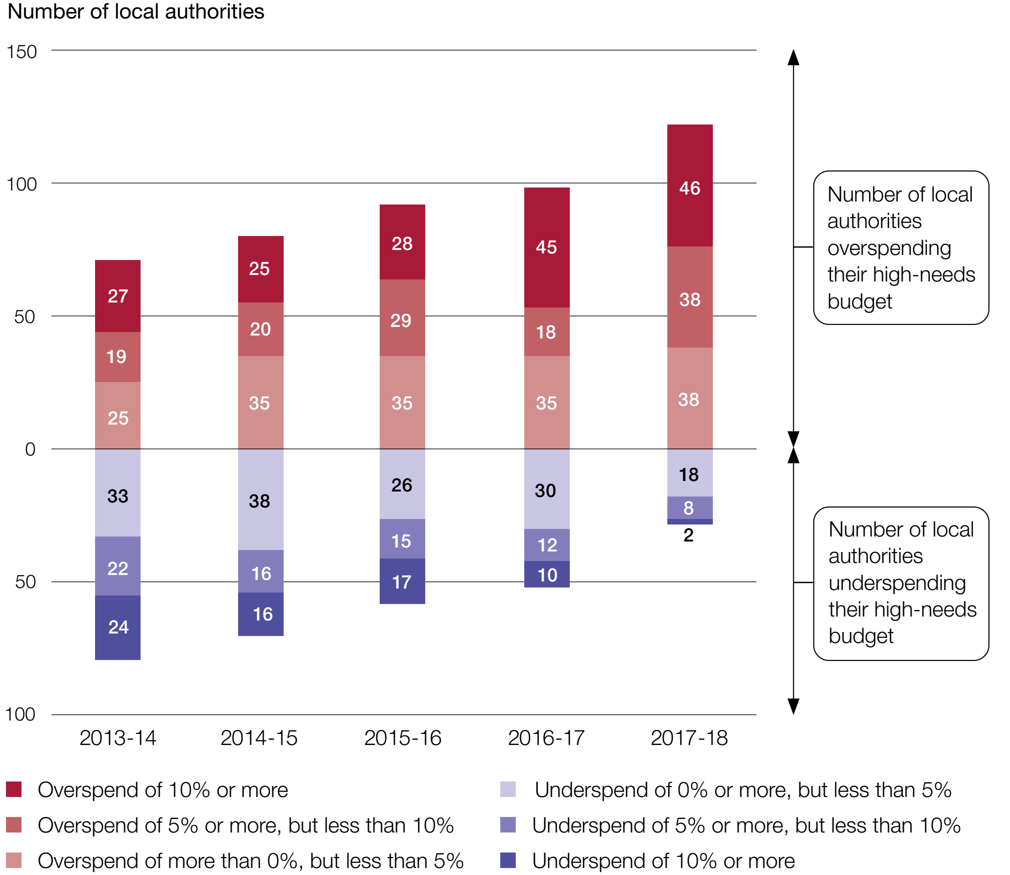
The Department has increased school funding, particularly for high needs, but funding has not kept pace with the rise in the number of pupils. High-needs funding pays for places in special schools and alternative provision, and top-up funding for mainstream schools. Between 2013-14 and 2017-18, high-needs funding per pupil fell by 2.6% in real terms, from £19,600 to £19,100.

Local authorities are increasingly overspending their budgets for supporting pupils with high needs. In 2017-18, 81% of local authorities overspent their high-needs budgets, compared with 47% in 2013-14. The main reason why local authorities have overspent their high-needs budgets is that more pupils are attending special schools. Possible reasons for this increase include greater parental involvement in decisions about choice of school, and funding pressures limiting mainstream schools' capacity to support pupils with high needs effectively.

The Department did not fully assess the likely financial consequences of changes to the system for supporting children and young people with SEND, under the Children and Families Act 2014. The Department expected that there would be fewer challenges to decisions that local authorities made about the packages of support for pupils with SEND. It also expected that these challenges could be resolved through mediation. In practice, the number of cases being taken to tribunal increased by 80.5% between 2014/15 and 2017/18.

## Spending against high-needs budgets by local authority, 2013-14 to 2017-18

**The number of local authorities overspending against their high-needs budgets increased each year**




**Notes**

1 This analysis excludes spending on high-needs early years or post-school services, which were outside the scope of the NAO study.

2 State special schools receive £10,000 per pupil annual 'place funding' from the high-needs block. We excluded this element of funding and spending from our analysis because before 2018-19 it was included within total schools funding and cannot be separately identified.

Source: Comptroller and Auditor General, *Support for pupils with special educational needs and disabilities in England*, Session 2017–2019, HC 2636, National Audit Office, September 2019 (Figure 9)

# Skills development

An apprenticeship is a job that combines work with training. Apprentices can be new or existing employees. Apprenticeships are open to people over the age of 16 and are available across many sectors, at a range of levels from GCSE-equivalent to degree-equivalent.

In spring 2017, the government made significant changes to support delivery of the apprenticeships programme. These included the introduction of a 0.5% apprenticeship levy for employers with a pay bill of more than £3 million. Levy-paying employers can use this money, plus a 10% government top-up, to pay for apprenticeship training and assessment. The apprenticeships programme is one of the Department's major projects.

### National Audit Office report findings

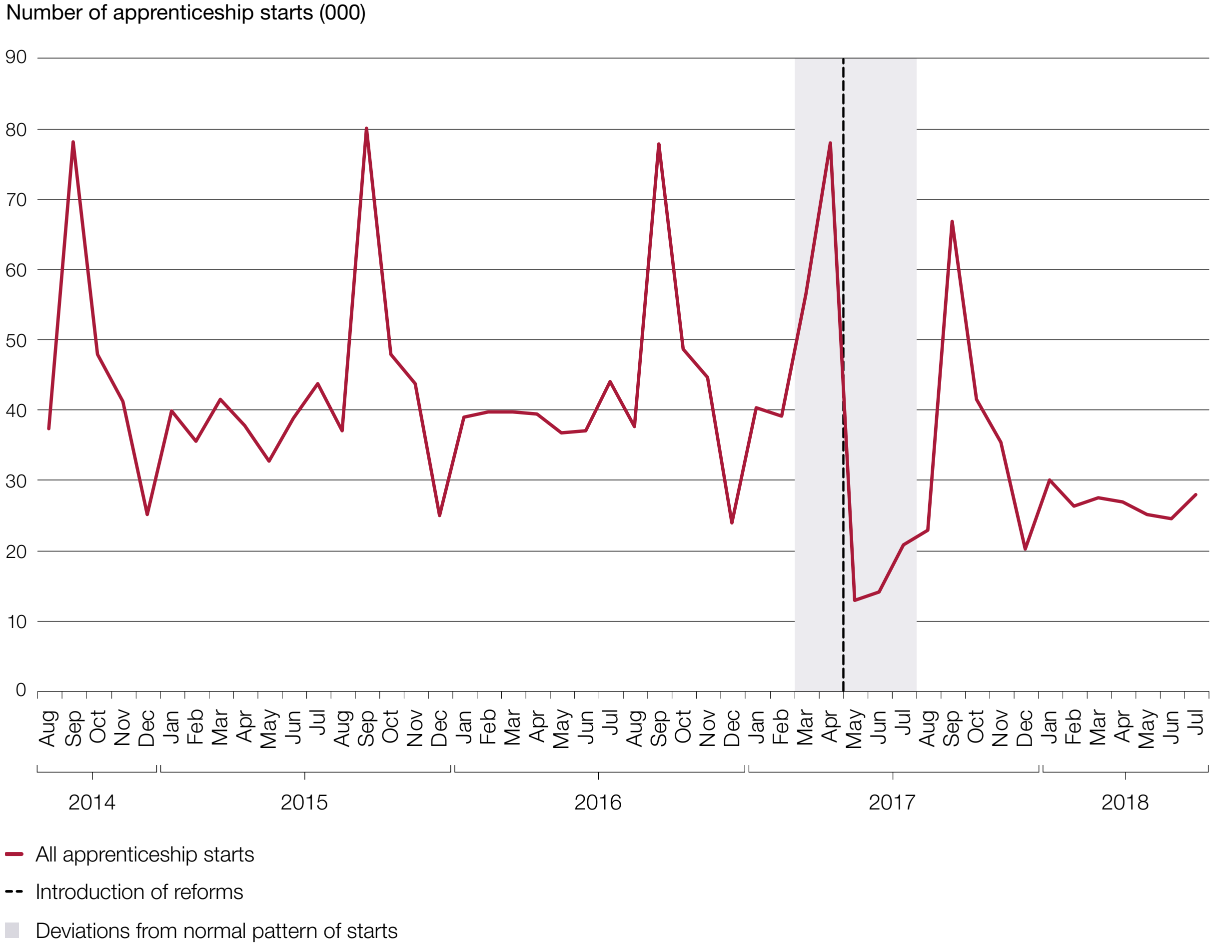
Our March 2019 report on *The apprenticeships programme* noted that in 2017/18, the first full academic year after the apprenticeship levy was introduced, there were 375,800 apprenticeship starts. This was 26% lower than in 2015/16, the last full year before the levy. The Department had expected a broad year-on-year increase in starts; it did not project a drop in numbers after introducing the levy.

Government has been replacing apprenticeship 'frameworks' with 'standards', with the aim of improving quality. From April 2017, there was a steep rise in the proportion of apprenticeships started under the new standards, which are intended to meet employers' needs better than the older frameworks. In April 2017, just 2% of starts were on a standard. In April 2018, starts on a standard overtook framework starts for the first time. In total during 2017/18, 44% of starts were on a standard.

The average cost of training an apprentice on a standard is around double what the government expected. The Department's projections show that, even if starts remain at current levels, spending could rise to more than £3 billion a year once all apprenticeships are on standards. The Department recognises that there are ways to control spending if necessary. The options could include limiting the number of new apprenticeships or reducing the level of public funding for certain types of apprenticeship.

Apprenticeship starts by month, August 2014 to July 2018

**The pattern of apprenticeship starts changed substantially around the time that the apprenticeship levy was introduced in spring 2017, and the number of starts dropped in 2017/18**




Source: Comptroller and Auditor General, *The apprenticeships programme*, Session 2017–2019, HC 1987, National Audit Office, March 2019 (Figure 4)

# Oversight and inspection



## Ofsted

Ofsted inspects and regulates services that care for children and young people and services that provide education and skills for learners of all ages. It publishes reports of its findings and reports to ministers on the effectiveness of services. In September 2019, the Department announced that it would work with Ofsted to ensure that inspection reports rate financial management and oversight within a school, academy, college or trust.

## Education and Skills Funding Agency (ESFA)

The ESFA oversees academies, further education and sixth-form colleges, and training providers, and intervenes where there is risk of failure or where there is evidence of mismanagement of public funds.

## National Audit Office report findings

Our March 2019 report on *The apprenticeships programme* found that Ofsted rated 58% of the 113 established apprenticeship training providers it had inspected in 2017/18 as 'good' or 'outstanding', compared with 49% in 2016/17. The 'good' and 'outstanding' providers were generally training larger numbers of apprentices. As a result, about two-thirds of the apprentices were being trained in 'good' or 'outstanding' providers, and one-third were with providers rated as 'inadequate' or 'requires improvement'.

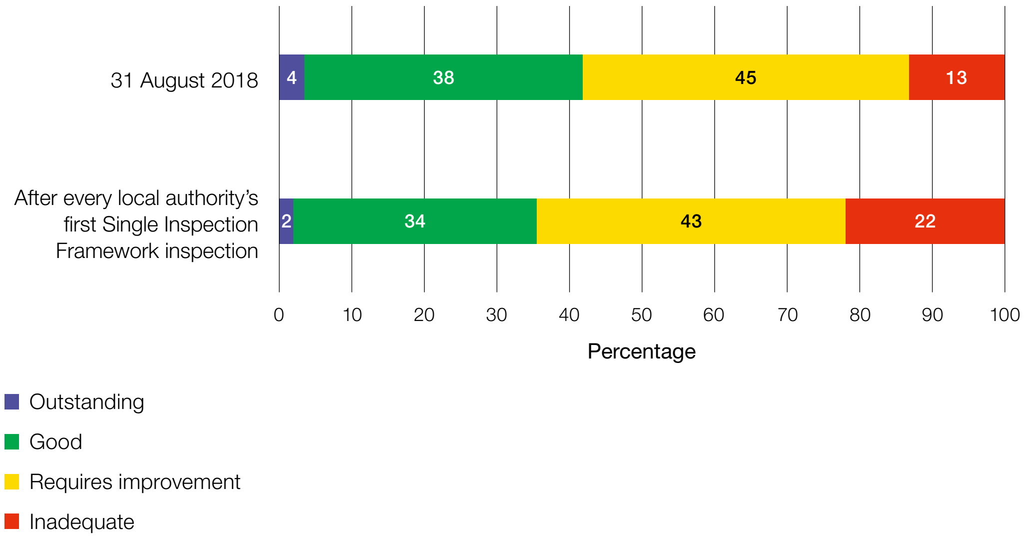
Ofsted also carries out short monitoring visits at new apprenticeship training providers. In 2018, it found that more than one-fifth of new providers were making insufficient progress in at least one of the three areas examined. This may not be representative of all providers, however, because Ofsted prioritised its visits to those providers that it considered presented a higher risk.

Our report found that the ESFA did not yet have an effective way of identifying where apprentices are routinely receiving less off-the-job training than they should. This is an important gap in oversight, as training providers are paid as long as apprentices remain on the programme. In addition, in 2016/17, around one-quarter of training providers were in scope for intervention by the ESFA because their achievement rates for apprenticeship training fell below national minimum standards.

Our January 2019 report on *Pressures on children's social care* found that local authorities' services tend to improve on reinspection by Ofsted. After every local authority's initial inspection under a framework introduced in 2013, 65% of local authorities were assessed as 'inadequate' or 'requires improvement to be good'. After reinspection the proportion of local authorities assessed as 'inadequate' or 'requires improvement to be good' fell to 58%. Since 2018, Ofsted has adopted a new approach, with more frequent visits but the same benchmark for making judgements as under the previous framework.

## Ofsted assessments of overall effectiveness of local authorities

**Local authorities overall improved when they were reinspected by Ofsted**




**Notes**

1 First inspection covers initial assessments under the Single Inspection Framework, introduced in 2013.

2 Percentages are rounded and may not add to 100. Where the number of inspections are small, percentages should be treated with caution.

Source: Comptroller and Auditor General, *Pressures on children's social care*, Session 2017–2019, HC 1868, National Audit Office, January 2019 (Figure 12)

# Oversight and inspection *continued*



## National Audit Office report findings

Our September 2019 report on *Support for pupils with special educational needs and disabilities in England* (SEND) found that the Department relies on Ofsted to provide independent assurance about how well schools are meeting the needs of pupils with SEND:

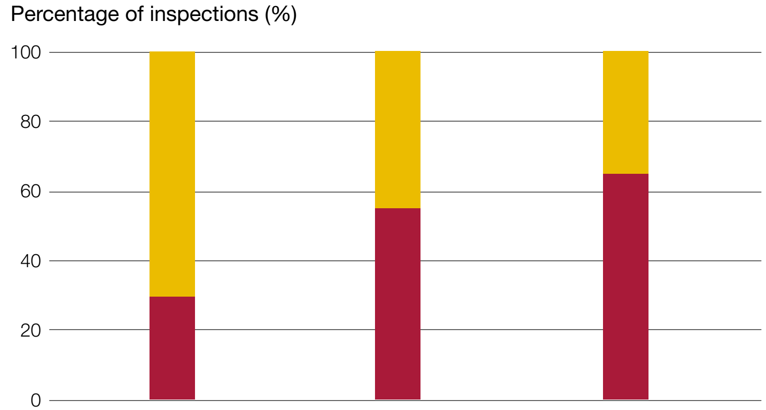
- The level of assurance about the quality of support in mainstream schools, which most children with SEND attend, varies because how often a school is inspected, and the extent to which inspectors examine SEND provision, depend heavily on how Ofsted graded the school at its previous inspection. Ofsted's new inspection framework, which inspectors have been using from September 2019, provides for greater explicit consideration of the extent to which the school's curriculum meets the needs of pupils with SEND, and school leaders are ambitious for these pupils.

- More independent assurance is available about the quality of support for pupils with SEND in state special schools. Of the state special schools open in August 2018, Ofsted had graded 91.8% as 'good' or 'outstanding'. Ofsted also inspects nearly all independent special schools, and at August 2018 had graded 78.3% of these schools as 'good' or 'outstanding'.

The Department also relies on inspection to provide an independent assessment of how well education, health and care services in local authority areas are meeting the needs of children and young people with SEND. It has commissioned Ofsted and the Care Quality Commission (the CQC) to develop and deliver a programme of local area inspections.

Ofsted and the CQC began the inspections in May 2016 and expect to cover all local authority areas by summer 2021. By July 2019, Ofsted and the CQC had inspected 94 local areas. The results to date may not be representative because, in deciding which areas to visit, the inspectorates may prioritise those where they have concerns. In 47 (50%) inspections, Ofsted and the CQC found areas of weakness significant enough to require the local area to produce a written statement of action, setting out the steps that it proposes to take in response to the inspection.

Ofsted and Care Quality Commission inspections of local authority areas' effectiveness in supporting children and young people with special educational needs and disabilities




| | May 2016–April 2017 | May 2017–April 2018 | May 2018–July 2019 | **Total** |
|---|---|---|---|---|
| Written statement of action required | 9 | 21 | 17 | **47** |
| Effective | 21 | 17 | 9 | **47** |

Sources: Ofsted, Care Quality Commission, *Local area send inspections, one year on*, October 2017; Ofsted, *The Annual Report of Her Majesty's Chief Inspector of Education, Children's Services and Skills 2017/18*, December 2018, page 13; and Comptroller and Auditor General, *Support for pupils with special educational needs and disabilities in England*, Session 2017–2019, HC 2636, National Audit Office, September 2019, paragraph 3.22

# Things to look out for



## 01 Ofsted's local authority children's services inspections

Ofsted introduced a new *Framework, evaluation criteria and inspector guidance for the inspection of local authority children's services* in January 2018. When inspectors identify a significant weakness, for example children left at risk of harm, Ofsted will determine that this is an 'area for priority action'. At August 2019, Ofsted had rated eight of the 62 local authority children's services inspected as 'inadequate' and 21 as 'requires improvement'.

**Look out for** actions that the Department is taking with local authorities to improve children's services.

## 02 National funding formula for state-funded schools

The Department intends that the new national funding formula will make school funding fairer and more transparent.

**Look out for** when the Department implements the national funding formula in full by using it to allocate money to schools, and the impact on individual schools.

## 03 Pupils with special educational needs and disabilities

In September 2019, the government announced a *major review into support for children with special educational needs*.

**Look out for** the recommendations arising from this review and subsequent action taken to improve services.

## 04 School exclusions

The *Timpson review of school exclusion* identified too much variation in exclusion practice and concluded that more work was needed to ensure every exclusion was lawful, reasonable and fair, and that permanent exclusion was a last resort.

**Look out for** how the government takes forward the review's 30 recommendations.

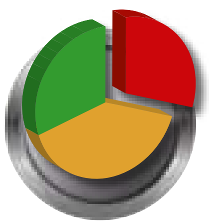
# Things to look out for *continued*



## 05 Ofsted's education inspections

Ofsted has said that, under the new *Education inspection framework* introduced in September 2019, inspectors will spend less time looking at exam results and test data, and more time considering how a nursery, school, college or other education provider has achieved their results.

**Look out for** Ofsted's gradings for new key judgements on 'quality of education', 'behaviour and attitudes' and 'personal development', as well as on 'leadership and management', and for the reaction of teachers and parents to the new framework.



## 06 Post-18 education and funding

The core message of the *Augar review* was that the disparity between the 50% of young people who attend higher education and the other 50% who do not, had to be addressed.

**Look out for** how the government takes forward the review's 53 recommendations.

## 07 T levels

The first three T levels (in digital production, design and development; design, surveying and planning; and education) will be available at selected colleges and schools across England in September 2020.

**Look out for** the launch of these T levels and the roll-out of the remainder in 2021 and 2022.

## 08 Insolvency regime for colleges

In May 2019, Hadlow College, part of the Hadlow Group in Kent, became the first institution to enter the new college insolvency regime, following a request for emergency government financial support. In August 2019, West Kent and Ashford College, also part of the Hadlow Group, asked the government to place it into the insolvency regime.

**Look out for** how the new insolvency arrangements work in practice, including the impact on the students affected, and for any further cases of colleges entering the insolvency regime.