

EDUCATION ACT 1996

Accounts, prepared pursuant to Sch. 1, para 16(1) of the Education Act 1994 of the Teacher Training Agency for the year ended 31 March 2001, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 853 of 1999–2000.)

Presented pursuant to Education Act 1994, c.30, Sch. 1, para 16(1)

Teacher Training Agency Accounts 2000–01

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Foreword

History and background information

1. On 21 September 1994, the Teacher Training Agency (TTA) was established under Section 1 of the Education Act 1994. It is an executive Non-Departmental Public Body (NDPB) whose sponsor was the then Department for Education and Employment, now the Department for Education and Skills (DfES). The TTA's functions as set out in the Act are to fund the provision of teacher training in England; to provide information and advice on teaching as a career; and to carry out such other functions as the Secretary of State may by order confer or impose.
2. The TTA took over responsibility for funding initial teacher training (ITT) in the higher education institutions from the Higher Education Funding Council for England (HEFCE), assuming full responsibility from August 1995. It also assumed responsibility for providing information and advice on teaching as a career from the Teaching as a Career (TASC) unit of the then Department of Education and Employment, which was dissolved on 13 October 1994. An Order made under Section 17 of the Act transferred all property, rights and liabilities (including contracts of employment) of TASC to the TTA on 13 October 1994. The TTA assumed responsibility for the licensed and overseas trained teacher schemes from the Department for Education in April 1995.
3. In October 1995 the Secretary of State approved proposals by the TTA for work designed to support a strategic approach to the continuing professional development of teachers. These encompassed the identification of national priorities and the development of national standards for four key roles in the teaching profession, including a new national professional qualification for head teachers. During 1996 the TTA began work at the request of the Secretary of State, on developing a national curriculum for initial teacher training, starting with primary English and mathematics; more tightly defined standards for all new teachers as well as standards for teachers whose pupils have special educational needs; and more specialist courses for Key Stage 2 primary teachers.
4. In October 1997 the Secretary of State requested the Agency to review access provision for those interested in moving into teaching; to introduce a new Secondary Shortage Subject Scheme (SSSS); to advise on the professional content and coverage of induction arrangements for Newly Qualified Teachers; to advise on a new career grade of Advanced Skills Teacher; to develop arrangements for assessing the training and development needs of those identified as potential candidates to be fast-tracked to leadership positions in schools; to develop national standards for Special Educational Needs (SEN) specialists; to develop and strengthen the National Professional Qualification for Headship; to review the HEADLAMP scheme for newly appointed heads; to advise on implementing a training programme for existing heads; and to advise on management training priorities and career ladders for teaching assistants.
5. In 1997 a TTA Unit in Wales was set up at the invitation of the Secretary of State for Wales under Section 1(3) of the Education Act 1994, with the responsibility of taking forward work on Continuing Professional Development (CPD) and headship and leadership programmes.

6. Since 1997 the TTA has been providing advice and support to the New Opportunities Fund (NOF), a lottery distribution body, on the development, implementation and quality assurance of an initiative for teachers and school librarians in maintained schools, relating to the effective use of information and communications technology (ICT). Working under a service level agreement with NOF, the TTA provides advice on the development of the initiative and management of its implementation, including two rounds of bidding for approved training provider status. Training started in April 1999 and will continue until 2002. The TTA is also responsible for the quality assurance of approved training providers in England and Wales, and for ensuring consistency in the way the initiative is managed and quality assured across the UK.
7. In February 1999 the Minister for School Standards announced the setting up for the TTA of the five-yearly review which is a requirement for all NDPBs. The first stage of the review, which was carried out by the DfES with Treasury and Cabinet Office participation, looked at the Agency's functions and the likely future need for those functions. The resulting report was published on 19 May 1999. The main conclusions were that there is a continuing need for the core functions of the TTA; that there was no case for abolition or privatisation; that the Agency's remit should concentrate on teacher supply and recruitment and initial teacher training and induction; that teacher supply and recruitment should be the top priority in the next phase of the TTA's work; that ITT funding and quality remains core business for the Agency; and that the TTA's work on headship and leadership should become the responsibility of the National College for School Leadership, with the DfES taking responsibility for the work as an interim measure.
8. Responsibility for the headship and leadership programmes was transferred to DfES in July 1999. Implementing another recommendation, responsibility for the TTA Unit in Wales was transferred to the National Assembly for Wales in December 1999. The Agency continues to handle teacher recruitment in Wales. At the same time the TTA was asked by the Secretary of State to take on a number of new tasks stemming from the Green Paper, *Teachers—Meeting the Challenge of Change*. These have been the establishment of flexible ITT provision; the development and implementation of computer-based skills tests for Qualified Teacher Status (QTS) in numeracy, literacy and ICT; strengthening the assessment of QTS; and the improvement of pre- and in-course study for trainee teachers.
9. The second stage of the TTA's quinquennial review took the form of a financial management survey. The survey was carried out in the second half of 1999, with the resulting report being submitted to DfES Ministers in February and published in April. The main conclusions in the report were that the Agency has well-developed financial and management structures, arrangements and systems; the level of financial control is good and satisfies the requirements of Government Accounting, DfES and Internal Audit; a large number of products of high quality are delivered to time and with the minimum of staff; a high proportion of staff work in delivery areas and administrative support posts are kept to a minimum; while the support services are under pressure, they are well organised and efficient; the corporate planning process has considerable strengths and the presentational style of the Corporate Plan is of exemplary quality; and there is a sound system of contract management, with particularly effective measures to provide independent input to all stages of the contracting process.

10. On 30 March 2000 the Secretary of State announced the introduction of a £6,000 training bursary for all graduates entering teacher training from September 2000. This was part of a package of new incentives aimed at attracting more high quality graduates into the profession. Revised guidance was issued by DFES on 1 May 2001, whereby the eligibility criteria was changed such that part-time postgraduate trainees who were on courses prior to September 2000 and remained on their course, became entitled to training bursaries. Provision for the estimated additional cost of £1.2 million has been included in the financial statements. All postgraduate trainees studying to teach secondary subjects became entitled to a new system of "Golden Hellos". Those who go on to teach mathematics, science, modern foreign languages, design and technology, and ICT receive £4,000 on successfully completing their induction period. Schools training teachers through the employment-based Graduate Teacher Programme (GTP) receive £13,000 per trainee, to meet salary costs.

Review of 2000-01

11. Reversing the trend of recent years, recruitment to initial teacher training rose by eight per cent in 2000-01. Additionally, OFSTED evidence indicates that the quality of newly qualified teachers entering schools has continued to improve year on year. At the same time, the Agency has worked with all its partners to expand the amount of flexible provision which is specifically designed to meet the individual needs of career changers as well as other trainees, who may wish to be trained part-time or on the job. Flexible provision is available within modular courses, where there are now 1,650 places allocated, and the GTP, which is being expanded to take more than 2,200 trainees in 2001-02. This means that more than ten per cent of initial teacher training will now be provided in a more flexible form.
12. Among the other major achievements for the Agency in 2000-01 were to:
- develop a marketing strategy aiming to promote the teaching profession, increase applications and improve the tracking of applicants through to registration on courses;
 - launch a new recruitment campaign, which has more than doubled previous levels of enquiries about teaching as a career;
 - agree targets with individual providers to increase the recruitment of men and of people from minority ethnic groups;
 - expand programmes available to help returners prepare to go back into teaching after a career break;
 - increase the proportion of ITT places allocated to high quality provision;
 - undertake the first regional analysis of teacher supply, recruitment and training needs, using the East Midlands as a pilot to explore allocation and improvement priorities;
 - develop, pilot and implement numeracy and literacy skills tests for trainees seeking QTS;

- publish and evaluate induction support materials;
 - review, and make recommendations on, the use of external examiners in the assessment of trainees for QTS;
 - issue specialist standards for SEN; and
 - launch a new specialist performance and profiles website to encourage providers of ITT to benchmark their performance.
13. In its Corporate Plan for 2000-03, the Agency has set out six strategic aims, each with a number of more detailed operational objectives. In brief, the aims are to:
- increase the number and quality of recruits to teaching;
 - raise the standards and quality of ITT;
 - increase the proportion of trainees in high quality ITT provision;
 - support the Government and others in wider initiatives to raise standards of teaching;
 - communicate clearly and persuasively; and
 - plan and use resources effectively.

The Corporate Plan contains proposals for a new Improvement Strategy designed to drive up standards further through supporting providers in sharing best practices.

- Future developments**
14. In March 2001, the then Secretary of State set out plans for the future in the Green Paper, *Schools—Building on Success*. Options are to be considered for reforms to undergraduate teacher training and proposals have been made which would allow undergraduates on traditional academic degrees to take educational modules as part of their degrees.
15. A major task for the TTA in 2001-02 will be to complete consultations over the future requirements for ITT courses. A detailed monitoring exercise has already been undertaken and proposals are being made for revision of Circular 4/98, which sets out the Secretary of State's criteria for all courses of initial teacher training. These proposals will be subject to consultation alongside proposals for changes in inspection arrangements under the aegis of OFSTED.
- Sustainable development**
16. The Agency is required by DfES to raise awareness of sustainable development amongst all its stakeholders and, where possible, to develop new policies. Domestic arrangements are in place to ensure recycling and to purchase "environmentally friendly" materials and resources. Low energy computers are in use and obsolete computing equipment is donated to an educational charity.
- Board members during 2000-01**
17. Board members are appointed for a term of three years by the Secretary of State for Education and Employment and are drawn from a variety of backgrounds. Several are members of the governing bodies of institutions, which receive grants from the

TTA (see Note 20 to the Accounts). Others are teachers or head teachers, or work in other parts of the education system. Some have business backgrounds. Board members during 2000-01 were:

Professor Clive Booth—Chair
 Ralph Tabberer—Chief Executive
 Annabelle Guyver
 Christopher King
 Maggie Semple
 Professor David Reynolds
 Dr John Cater
 Carole Evans
 Professor Eileen Baker (*appointed*) 12/10/00
 David Kershaw (*appointed*) 12/10/00
 Professor Barbara MacGilchrist (*appointed*) 12/10/00
 Victoria Nye (*appointed*) 12/10/00
 Paul Ennals (*appointment completed*) 3/10/00
 Professor John Gray (*appointment completed*) 3/10/00
 Patricia Pritchard (*appointment completed*) 3/10/00
 John Steele (*appointment completed*) 3/10/00

Audit Committee

18. In March 2001 the Board approved a revised Terms of Reference for the Audit Committee. The main purpose of the Committee is to advise the Accounting Officer and the Board on:

- the adequacy of the TTA's internal control and risk management systems;
- the annual and longer term plan for the TTA's internal audit service;
- audit reports submitted by the TTA's internal audit service;
- reports from the National Audit Office;
- the criteria for the selection and appointment of the TTA's internal audit service;
- the adequacy of management responses to issues identified by audit activity.

19. The members of the Committee during the year were:

John Steele—Chair. Left Committee in December 2000 on completion of Board term of appointment.

John Cater—Chair. Board member. Appointed December 2000.

Chris King. Board member.

Frank Morgan. External member. Appointed June 1995.

Eric Tracey. External member. Appointed June 1995

Under the revised terms of reference, members will normally serve three years.

20. The Committee met on three occasions in 2000-01. The Chief Executive and the Principal Establishment and Finance Officer, representatives of Bentley Jennison,

the TTA's internal auditors and National Audit Office normally attend all meetings. DfES attend as observers.

21. In accordance with its revised terms of reference the Committee submitted its report for 2000-01 to the Board in May 2001.

Equal opportunities

22. The TTA has an equal opportunities policy, which covers all areas of its operations. As part of this, the Agency monitors staffing and recruitment. In 2000-01 of the 71 staff appointed; 51 per cent were women; 80 per cent were white, 16 per cent were from ethnic minorities and 4 per cent chose not to declare their ethnic origin. Of the staff in post at 30 June 2000; 59 per cent were women: 58 per cent were white, 18 per cent from ethnic minorities and 24 per cent had not declared their ethnic origin. At that date no staff had declared that they regarded themselves as disabled. The Agency will carry out a further equal opportunities survey of staff, in summer 2001, in line with Cabinet Office guidelines.

Investors in People

23. The TTA was accredited to the Investors in People standard in November 1999. The assessment concluded that the identification of training and development needs is incorporated within the Agency's business planning process, with strong links to the business plan as well as to the needs of individuals and effective arrangements for the identification of costs and the evaluation of benefits. An action plan to ensure continued accreditation has been developed and the Agency will be reassessed in the autumn 2001.

System of internal financial control

24. The Chief Executive's statement on the system of internal financial control, in the form prescribed by Treasury, is reproduced on page 9. In reaching his conclusion that an effective system of control is maintained and operated by the TTA, the Chief Executive has the assistance of an annual report from the Agency's internal auditors, Bentley Jennison.

Financial results for 2000-01

25. These accounts cover the year from 1 April 2000 to 31 March 2001. They have been prepared in accordance with the direction (see Appendix 1) given by the Secretary of State for Education, with the approval of the Treasury, in accordance with Schedule 1, paragraph 16(2) to the Act, and the Financial Memorandum dated 3 January 1995. The Accounts are audited by the National Audit Office on behalf of the Comptroller and Auditor General.

Grant-in-aid for the period, and deficit after deduction of notional costs

26. The grant-in-aid for this period was £311.0 million (previous period to 31 March 2000 £230.9 million). Of this figure, £261,000 (previous period £290,000) was allocated to the TTA's own capital expenditure, and taken to reserves. These figures can be found in Note 2(a) to the Accounts. The deficit after deduction of notional costs of capital was £2.9 million (for 1999-2000 there was a surplus of £3.7 million).

Notional costs

27. In accordance with the Treasury guidance on Non Departmental Public Bodies' Reports and Accounts, the accounts include the notional cost of capital, which amounts to £161,000 (previous period to 31 March 2000 £322,000). Note 4 to the Accounts, explains the basis for calculating these charges.
28. During 2000-01 there were no services provided free of charge by the DfES. All services were paid for in accordance with the provisions of the individual Service Level Agreements concluded with the Department.

- Income other than grant-in-aid**
29. Income other than grant-in-aid (Note 2b to the Accounts) is £1.62 million (previous period to 31 March 2000 £1.25 million) includes amounts from a variety of sources; access fees transferred from the HEFCE; income generated under a Memorandum of Understanding with the National Assembly, for promoting teaching in Wales and income generated under a Service Level Agreement with NOF fund for the ICT initiative; and receipts from other central government agencies towards the cost of initiatives jointly undertaken. In addition there have been recoveries of underspends from the 1999-2000 academic year on the Maths and Science Initiative scheme.
- Cash balances at 31 March 2001**
30. The TTA's Financial Memorandum enables the agency to carry forward, from one financial year to meet claims in the following year, provision in respect of both programme and running costs expenditure, subject to a limit of 2% per cent of its annual grant. For the period ended 31 March 2001 this meant that the TTA could carry over a cash balance of £6,093,340 on its programme funds and £127,340 on its running costs. The balances, at 31 March 2001, were in fact £3,125,833 for programme funds and £63,538 for running costs and were therefore within the permitted limit (Note 10 to the Accounts).
31. The accounts for the year ending 31 March 2001 disclose a deficit of £2.739 million. This reflects increased expenditure which marginally exceeded income and thereby largely utilized the surplus of £3.979 million reported in 1999-2000. Under the Agency's accounting policy revenue grants received from the DfES are credited to the income and expenditure account in the year of receipt. The agency carried forward £3.441 million from 1999-2000 to 2000-01, and £3,189 million from 2000-01 to 2001-02.
- Fixed assets**
32. Note 1 to the Accounts explains the policy adopted for the capitalisation of fixed assets. The accounts include capital expenditure amounting to £261,000 in the period (previous period £290,000), which was incurred on the provision of new computers and furniture for additional staff, and for new computers for the QTS Skills Tests.
33. During 2000-01 the assets were revalued using average price indices. As a result, and after adjusting for disposals and accumulated depreciation, the net book value of fixed assets at 31 March 2001 has decreased to £415,000 from £571,000 at 1 April 2000. The effect of indexation on the Income and Expenditure Account is to reduce the surplus by £52,000.
- Payment of creditors**
34. The Late Payment of Commercial Debts (Interest) Act, which came into force on 1 November 1998, requires government bodies, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received.
35. During the year ending 31 March 2001 94% (83% in 1999-2000), of invoices were paid within the 30 day period. To date no claims for interest under the Act have been received.

Ralph Tabberer

Chief Executive and Accounting Officer
Teacher Training Agency

12 July 2001

Statement of the Teacher Training Agency and the Chief Executive's responsibilities

Under schedule 1 paragraph 16 of the Education Act 1994, the Teacher Training Agency is required to prepare a statement of accounts in the form and on the basis determined by the Secretary of State with the consent of the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year-end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Agency is required to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the entity will continue in operation.

The Accounting Officer for the Department for Education and Skills has designated the senior full time official, the Chief Executive, as the Accounting Officer for the Teacher Training Agency. The relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non Departmental Public Bodies' Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting.

Ralph Tabberer
Chief Executive and Accounting Officer
Teacher Training Agency

12 July 2001

Statement on the System of Internal Financial Control

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Teacher Training Agency.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Board of the Agency;
- regular reviews by the Board of the periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- as appropriate, formal project management disciplines.

The Teacher Training Agency has an internal audit unit function, which is provided by Bentley Jennison and operates to standards defined in the Government Internal Audit Manual. The work of the internal audit unit is performed by an analysis of the risk to which the body is exposed, and annual audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Agency's Audit Committee and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the Agency. The report includes the HIA's independent opinion on the adequacy and effectiveness of the Agency's system of internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Audit Committee which oversees the work of the internal auditor, the executive managers within the body who have responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports. In addition the second stage of the TTA's quinquennial review carried out in 1999 concluded that the Agency has well-developed financial and management structures, arrangements and systems and that the level of financial control is good.

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and am taking reasonable steps to comply with the Treasury requirement for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with guidelines issued by Treasury.

Ralph Tabberer
Chief Executive and Accounting Officer
Teacher Training Agency

12 July 2001

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 12 to 30 under the Education Act 1994. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 16 and 17.

Respective responsibilities of the Teacher Training Agency, the Chief Executive and Auditor

As described on page 8, the Agency and the Chief Executive are responsible for the preparation of the financial statements in accordance with the Education Act 1994 and directions made thereunder by the Secretary of State for Education and Employment and for ensuring the regularity of financial transactions. The Agency and Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Education Act 1994 and directions made thereunder by the Secretary of State for Education and Employment, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Agency has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 9 reflects the Agency's compliance with Treasury's guidance 'Corporate governance: statement on the system of internal financial control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of audit opinion

I conducted my audit in accordance with the United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Agency at 31 March 2001 and of the deficit, total recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Education Act 1994 and directions made thereunder by the Secretary of State for Education and Employment; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

13 July 2001

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Income and Expenditure Account for the year ended 31 March 2001

	Notes	Year ended 31 March 2001		Year ended 31 March 2000	
		£000	£000	£000	£000
Gross Income					
Grants received	2a				
Programme		304,560		225,356	
Administration costs		<u>6,213</u>		<u>5,280</u>	
			310,773		230,636
Transfers from Deferred					
Government Grant	13		366		288
Other Operating Income	2b		<u>1,624</u>		<u>1,249</u>
			<u>312,763</u>		<u>232,173</u>
Expenditure					
Grants paid under section 4(2) of the 1994 Act	3	283,409		204,140	
Research under section 11 of the 1994 Act	3	729		485	
Provision of information and advice under section 1(1)(b) of the 1994 Act	3	<u>24,126</u>		<u>17,397</u>	
			308,264		222,022
Administration costs					
Staff costs	7	3,632		3,032	
Other	5	3,181		2,857	
Depreciation	8	366		288	
Loss/(surplus) on revaluation	8	52		(3)	
Cost of capital	4	<u>161</u>		<u>322</u>	
			<u>7,392</u>		<u>6,496</u>
Operating surplus/(Deficit)			(2,893)		3,655
Gain/(Loss) on sale of fixed assets			(7)		2
Reversal of cost of capital			<u>161</u>		<u>322</u>
Surplus/(Deficit) for the period			(2,739)		3,979
Retained surplus/(deficit) brought forward			<u>6,788</u>		<u>2,809</u>
Retained surplus carried forward			<u>4,049</u>		<u>6,788</u>

The notes on pages 16 to 30 form part of these accounts.

Statement of Total Recognised Gains and Losses for the year ended 31 March 2001

	Year ended 31 March 2001 £000	Year ended 31 March 2000 £000
Surplus/(deficit) for the year as per Income and Expenditure Account	(2,739)	3,979
Revaluation of the cost of fixed assets taken to reserves	49	37
Revaluation of depreciation taken to reserves	(37)	(38)
	<u>(2,727)</u>	<u>3,978</u>

The results shown above are wholly derived from continuing operations.

Balance Sheet as at 31 March 2001

		Year ended 31 March 2001		Year ended 31 March 2000	
	Notes	£000	£000	£000	£000
Fixed Assets					
Tangible Assets	8		415		571
Current Assets					
Debtors	9	3,366		3,987	
Cash at Bank and in hand	10	3,189		3,441	
		6,555		7,428	
Creditors					
Amounts falling due within one year	11	2,394		591	
Net Current Assets/ (Liabilities)			4,161		6,837
Total Assets less Current Liabilities			4,576		7,408
Represented by					
Deferred government grants	13		470		575
Reserves	14		4,106		6,833
			4,576		7,408

The notes on pages 16 to 30 form part of these accounts

Ralph Tabberer

Chief Executive and Accounting Officer

Teacher Training Agency

12 July 2001

Cash Flow Statement for the year ended 31 March 2001

	Year ended 31 March 2001		Year ended 31 March 2000	
	£000	£000	£000	£000
Operating activities				
Grants received from the DfES	310,773		230,636	
Other cash receipts	1,624		1,249	
Grants paid to Institutions & other bodies		(306,211)		(223,386)
Other cash payments	(3,043)		(3,069)	
Cash paid to and on behalf of employees	(3,399)	<u>(6,442)</u>	(2,797)	<u>(5,866)</u>
Net cash inflow/outflow from operating activities		(256)		2,633
Capital Expenditure:				
Payments to acquire fixed assets	(261)		(290)	
Receipts from sale of fixed assets	<u>4</u>		<u>2</u>	
		<u>(257)</u>		<u>(288)</u>
Net cash outflow before financing		(513)		2,345
Financing: grant in aid supplied for purchase of tangible fixed assets		<u>261</u>		<u>290</u>
Net cash inflow/(outflow) after financing		<u>(252)</u>		<u>2,635</u>
(Decrease)/Increase in cash during period		<u>(252)</u>		<u>2,635</u>

The notes on pages 16 to 30 form part of these accounts.

Reconciliation of operating surplus/(deficit) to movement in net funds

	Year ended 31 March 2001 £000	Year ended 31 March 2000 £000
Operating surplus/(deficit) for the period	(2,893)	3,655
Transfer from deferred government capital grants	(366)	(288)
Add: Depreciation charges	366	288
Add: Loss/(surplus) on revaluation of assets	52	(3)
Add: Notional items	161	323
(Increase)/decrease in debtors	621	(1,036)
Increase/(decrease) in creditors	<u>1,803</u>	<u>(306)</u>
Net cash inflow/(outflow)	<u>(256)</u>	<u>2,633</u>
Reconciliation of net cash flow to movement in net funds		
Net funds at 1 April	3,441	806
Net funds at 31 March	<u>3,189</u>	<u>3,441</u>
Change in net funds	<u>(252)</u>	<u>2,635</u>

Notes to the Accounts

Accounting policies

1 *Basis of preparation*

The Teacher Training Agency (TTA) was created under the Education Act 1994 and was established on 21 September 1994. It is a Non-Departmental Public Body (NDPB) sponsored by the Department for Education and Employment (DfES).

The accounts are drawn up in accordance with the Accounts Direction dated 10 July 2000, given by the Secretary of State for Education and Employment, with the approval of the Treasury, in accordance with the Education Act 1994 (Schedule 1, paragraph 16(2)), and the Financial Memorandum between the Secretary of State and the Teacher Training Agency dated 3 January 1995, copies of which may be obtained from the TTA or DfES.

The accounts are prepared under the historic cost convention as modified by the revaluation of certain fixed assets, and in accordance with the accounting disclosure requirements of the Companies Act 1985, and Accounting Standards issued or adopted by the Accounting Standards Board; with the exception of the requirement contained in FRS3 for the inclusion of a note showing historic cost profits and losses.

Fixed assets and depreciation

Expenditure on the acquisition of tangible fixed assets is capitalised where these costs exceed £1,000, the exception to this is where an asset is acquired for long term business use and/or can only be used in conjunction with existing capitalised assets.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life, as follows:

Portland House refurbishment	—4 years (lease length)
Office furniture	—3 to 5 years
Office equipment	—3 years
IT equipment (Hardware and software)	—3 years

Depreciation is calculated on a monthly basis and is charged from the month of acquisition. No depreciation is charged in the month of disposal.

The TTA's policy is to show the value of fixed assets at their current cost to the business except where it is considered that the effect of revaluation makes no difference to the results for the year or the financial position at the year end.

Grants from the Department for Education and Employment (DfES)

Grants for programme and administrative expenditure are credited to the Income and Expenditure Account when applied for current purposes, but credited to the Deferred Government Grant account when applied to meet the cost of acquiring or constructing assets which are capitalised. Grant held in this account is released to the Income and Expenditure account over the expected useful life of the relevant assets.

Grants payable

Grants to institutions are recognised when they fall due for payment.

Value Added Tax

The TTA is not registered for VAT as it has insufficient chargeable outputs to warrant registration.

Leases

Rental payable in respect of operating costs is charged directly to the Income and Expenditure account.

Loans

Loans to staff for approved purposes have been classified as Current Assets for these accounts.

Pension costs

Employees of the Teacher Training Agency (other than those on casual contracts) and those staff on loan from other government departments are members of the Principal Civil Service Pension Scheme. The conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply to the employees of the TTA. Costs of the Agency's contributions are charged to the Income and Expenditure Account in the year in which they are incurred.

Income**2 (a) Grant Income**

The following note shows grant in aid received by the TTA from the DfES Class I Vote 1 in the year to 31 March 2001, compared with that received in the year to 31 March 2000.

	Year to 31 March 2001		Year to 31 March 2000	
	Grant received from DfES £000	Allocation of Grant £000	Grant received from DfES £000	Allocation of Grant £000
Class I Vote 1				
Objective 1				
(1) Programme expenditure	304,807	304,807	225,356	225,356
DfES approved virement—to administration costs		(140)		0
Transferred to Deferred Grant		(107)		
	<u>304,807</u>	<u>304,560</u>	<u>225,356</u>	<u>225,356</u>
(2) Administration costs	6,227	6,227	5,570	5,570
DfES approved virement—from programme expenditure		140		0
Transferred to Deferred Grant		(154)		(290)
	<u>6,227</u>	<u>6,213</u>	<u>5,570</u>	<u>5,280</u>
	<u>311,034</u>	<u>310,773</u>	<u>230,926</u>	<u>230,636</u>
Total of receipts from DfES				

Grant in Aid: The Board of the TTA confirm that Government Grants received from the DfES have been used only for their approved purposes.

Note 16 analyses how grant in aid was spent during 2000-01 and 1999-2000.

(b) Income other than Grant in Aid

	Year to 31 March 2001		Year to 31 March 2000	
	£000	£000	£000	£000
Transfers from HEFCE:				
SCITT Access Funds		116		118
Income from Welsh Office:				
SLA for Promoting Teaching	394		288	
Refund of Running costs	26		216	
Refund of Programme costs	<u>2</u>		<u>22</u>	
		422		526
Other Operating Income:				
Income from research	26		35	
Income from NOF	901		477	
Contributions to SEN CD ROM	15		92	
Miscellaneous Income	<u>144</u>		<u>1</u>	
		<u>1,086</u>		<u>605</u>
Total Income other than Grant in Aid		<u>1,624</u>		<u>1,249</u>

Analysis of full cost expenditure on current programmes	3	Year to		Year to	
		31 March 2001		31 March 2000	
		£000	£000	£000	£000
Grants paid under section 4(2) of the 1994 Act					
<i>ITT</i>					
Mainstream funding		162,902		163,816	
Training salaries		76,268		0	
Secondary shortage subject scheme*		3,709		7,007	
New providers start-up		515		474	
Access funds		148		84	
Supplementary Partnership		1,565		1,468	
			245,107		172,849
<i>Other</i>					
INSET funding		20,249		20,980	
Continuing Professional Development—including SEN		452		1,642	
Induction		123		461	
ITT support and development		895		1,580	
Special projects fund		45		91	
ITT Quality		4,227		1,531	
Headship training including NPQH, HEADLAMP and LPSH**		0		2,658	
Employment based routes		11,725		2,154	
ICT Training—NOF Initiative		586		194	
			38,302		31,291
			283,409		204,140
Research under section 11 of the 1994 Act					
			729		485
Provision of information and advice under Section 1(1)(b) of the 1994 Act					
Recruitment Measures		16,586		16,288	
Publicity		7,540		1,109	
			24,126		17,397
Total Programme Expenditure			308,264		222,022

Extra-statutory payments; disclosure

The Agency administers two Government schemes under which eligible trainees receive financial support. In each case, the objective is to encourage the recruitment and/or retention of sufficient good candidates. The schemes are:

- the Secondary Shortage Subject Scheme (SSSS), which was introduced in 1998 and involved payments to ITT providers of £3.7 million in 2000-01;

- training bursaries (formerly known as salaries), which came into effect from September 2000 and involved payments of £76.3 million in 2000-01.

Towards the end of 2000-01, an issue arose concerning the precise statutory basis of the two schemes and the Agency sought advice from the Treasury Solicitor. That advice, received in May 2001, indicated that the 1994 Education Act, under which the Agency was set up, did not appear to provide a specific legal basis for either scheme.

The Agency has sought further clarification of the position from both the Treasury Solicitor and the Department for Education and Skills (DfES). It believes that, although payments under the two schemes might go beyond a strict interpretation of the legislation, they are fully consistent with its broad intentions. Subject to Ministerial approval, the DfES proposes to draft secondary legislation to put the position beyond doubt. In line with Government Accounting (chapter 18.6.8), the £80 million of expenditure under the two schemes in 2000-01 has been classified as extra-statutory payments. The same is true of earlier payments under the SSSS, amounting to £7 million in 1999-2000 and £10.7 million in 1998-99.

* In 1999-2000 payments made under the Secondary Shortage Subject Scheme, which is Grant expenditure (section 4(2) of the 1994 Act), were incorrectly included as expenditure for the Provision of Information and Advice (section 1(1)(b) of the 1994 Act). The above analysis has been restated to reflect this.

** Expenditure for the period 1 April to 31 July 1999.

Notional costs

- 4 Following the Treasury guidance on NDPBs' Annual Reports and Accounts (published March 1996) which requires NDPBs to disclose the full cost of their activities in their accounts, the TTA has included in its accounts charges for the notional cost of capital.

Cost of capital

The cost of capital has been calculated by applying a rate of 6% to the average capital employed (defined as a simple average of total assets less current liabilities at 31 March 2000 and at 31 March 2001). For the financial year 2000-01 the Financial Reporting Advisory Board issued an amendment to the Executive NDPB Annual Reports and Accounts Guidance. This states that non-interest bearing bank balances with the Office of the Paymaster General and the Bank of England are to be excluded from the calculation of capital employed. The cost in 2000-01 is therefore £160,650. For 1999-2000 if the same method had been applied, the Notional Cost of Capital would have been £197,678.

Other services provided free of charge by DfES

During 2000-01 there were no services provided free of charge by DfES. All services were paid for in accordance with the provisions of the individual Service Level Agreements concluded with DfES.

Administration costs	5	Notes	Year to	Year to
			31 March 2001	31 March 2000
			£000	£000
Board members' emoluments		6b	17	17
Travel, subsistence & hospitality				
Chairman, Chief Executive and Board			26	25
Employees			133	108
Staff training and fees			191	151
General administrative expenditure			1,666	1,513
Recruitment			302	258
Charges for operating leases			732	683
Consultancy costs			90	75
Auditors remuneration			21	25
Bank charges			3	2
			<u>3,181</u>	<u>2,857</u>

Consultancy costs exclude those of individuals or organisations employed to work on specific programmes. These costs are charged to the relevant programme and included in the breakdown shown in Note 3.

TTA Board Members' 6 (a) *Total emoluments received by Board members emoluments*

The total emoluments received including non-consolidated performance bonus, received by the Chairman and Chief Executive in the year to 31 March 2001, excluding out of pocket travel and subsistence payments, were £124,229 (previous year to 31 March 2000 £97,993). Other Board members receive no emoluments.

(b) *Emoluments of the Chairman*

The Chairman's total actual emoluments in the year to 31 March 2001 were £17,253 (previous year ended 31 March 2000 £16,767). He receives no bonuses or taxable benefits; no pension contributions are payable on his behalf.

(c) *Emoluments of the Chief Executive*

The Chief Executive's total actual emoluments of £106,976 received during the year ended 31 March 2001 comprises a salary of £82,320, non-consolidated performance bonus of £9,427 (for the period 7/02/00 to 31/03/01) and an employer's contribution to pension scheme of £15,229. During 1999-2000 there were two serving Chief Executives whose total emoluments were;

1 April 1999 to 31 December 2000 £80,634, comprising a salary of £61,139 employer's contribution to pension scheme of £11,362 and a performance related bonus of £8,133; and Ralph Tabberer 7 February 2000 to 31 March 2000 £14,166 comprising a salary of £11,954 and an employer's contribution to pension scheme of £2,212. The Chief Executive was not in receipt of any taxable benefits. The Chief Executive is an ordinary member of the Principal Civil Service Pension Scheme; contributions are paid at the rate of 18.5%, as outlined in Note 7(c) below. The Chief Executive's performance for the purposes of calculating his performance related

bonus is measured, against an agreed plan, by the Chairman of the Teacher Training Agency, in consultation with the Department for Education and Employment. Ralph Tabberer's contract is for a period of 5 years from 7 February 2000, which can be renewed subject to satisfactory performance.

(d) Other Board members' emoluments

No emoluments were paid to Board members other than the Chairman and Chief Executive, details of which are set out above. Details of non-taxable travel and subsistence payments made to Board members are shown in Note 5. During the year to 31 March 2001 £960 was paid to third parties on behalf of Board members (previous year ended 31 March 2000 £1,668).

**Staff (including
Chief Executive)**

7 (a) Total costs of staff

The total costs of staff (including the Chief Executive) employed by the TTA, or on loan or seconded to the TTA, in the period to 31 March 2001 were:

	Year to 31 March 2001 £000	Year to 31 March 2000 £000
Staff salaries	2,971	2,483
Social Security costs	239	197
Superannuation costs	422	352
	<u>3,632</u>	<u>3,032</u>

These figures do not include the cost of temporary staff, which is included under general administrative expenditure in Note 5 above.

(b) Average number of employees

The average number of staff employed during the year, including those on loan or seconded to the TTA, was:

	Year to 31 March 2001	Year to 31 March 2000
Teacher supply and recruitment	19	16
ITT funding and allocations	9	7
Quality assessment of ITT	6	6
Teacher training	35	33
Publications and communications	9	4
Secretariat (including Chief Executive)	3	7
Establishment and Finance	31	27
	<u>112</u>	<u>100</u>

As well as variations resulting from changes in priorities and functions the totals are influenced by variations in the number of positions filled by temporary staff or consultants.

(c) Pension arrangements for staff

Employees of the TTA (other than those on casual contracts) and those staff on loan to the TTA from other government departments are members of the Principal Civil Service Pension Scheme. The conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. Contributions are paid to the Civil Superannuation Vote at rates determined from time to time by the Government Actuary and advised by the Treasury. For the period covered by these accounts the rates were: 12% for staff on salaries up to £15,000 (1999-2000 £14,500); 13.5% for staff in a salary range £15,001 to £31,500 (1999-2000 £14,501 to £30,000); 16.5% for staff in a salary range £31,501 to £54,000 (1999-2000 £30,001 to £52,000); and 18.5% for staff on a salary of £54,001 and above (1999-2000 £52,001).

Those staff seconded to the Teacher Training Agency are covered by the pension arrangements of their employers and the costs of those arrangements are borne by the Teacher Training Agency during the period of secondment.

(d) Salary entitlements of senior management

	Year to 31 March 2001 £	Year to 31 March 2000 £
Ralph Tabberer, Chief Executive		
Age at 31.3.01, 46		
Basic salary as at 31 March	83,000	80,000
Performance bonus	9,000	—
Pension contribution	15,000	15,000
Salary including pension contribution	<u>107,000</u>	<u>95,000</u>
Real increase in pension at age 60	Up to £2,500	
Total accrued pension at age 60, in the range	£2,500 to £5,000	
 Mike Mercer, Head of Funding, and Corporate Planning		
Age at 31.3.01, 56		
Basic salary as at 31 March	67,000	65,000
Pension contribution	12,000	12,000
Salary including pension contribution	<u>79,000</u>	<u>77,000</u>
Real increase in pension at age 60	Up to £2,500	
Total accrued pension at age 60, in the range	£25,000 to £30,000	
 Frank Martin, Principal Establishment and Finance Officer and Secretary to the Board		
Age at 31.3.01, 54		
Basic salary as at 31 March	65,000	62,000
Pension contribution	12,000	11,000
Salary including pension contribution	<u>77,000</u>	<u>73,000</u>
Real increase in pension at age 60	Up to £2,500	
Total accrued pension at age 60, in the range	£25,000 to £30,000	

	Year to 31 March 2001	Year to 31 March 2000
Frankie Sulke, Head of Teacher Training (until 6.4.01)		
Age at 31.3.01, 43		
Basic salary as at 31 March	67,000	64,000
Pension contribution	12,000	12,000
Salary including pension contribution	<u>79,000</u>	<u>76,000</u>
Real increase in pension at age 60	Up to £2,500	
Total accrued pension at age 60, in the range	£15,000 to £20,000	
Anna Campopiano, Director of Communications and Marketing (until 16.4.01)		
Age at 31.3.01, 37		
Basic salary as at 31 March	60,000	60,000
Pension contribution	11,000	11,000
Salary including pension contribution	<u>71,000</u>	<u>71,000</u>
Real increase in pension at age 60	Up to £2,500	
Total accrued pension at age 60, in the range	Up to £2,500	
Mary Doherty, Head of Teacher Supply and Recruitment (from 1.11.00)	Consent to disclosure is withheld.	
Anthea Millett, Chief Executive (until 31.12.99)		
Basic salary as at 31 March*	—	82,000
Pension contribution	—	15,000
Salary including pension contribution	<u>—</u>	<u>97,000</u>
Jane Benham, Head of Teacher Supply and Recruitment (until 9.1.00)		
Basic salary as at 31 March*	—	59,000
Pension contribution	—	11,000
Salary including pension contribution	<u>—</u>	<u>70,000</u>
Stephen Hillier, Head of Corporate Planning and External Communications (until 14.5.99)		
Basic salary as at 31 March*	—	55,000
Pension contribution	—	10,000
Salary including pension contribution	<u>—</u>	<u>65,000</u>

*salary entitlement as at date of leaving.

As in 1999-2000 some members of senior management objected to the publication of information concerning their individual pension arrangements, which are protected under the Data Protection Acts of 1984 and 1998; no details of accrued pension entitlements were disclosed. However general information on the scheme including costs is provided in (c) above.

Tangible fixed assets	8	The cost or valuation and depreciation of all TTA assets is:			
		Refurbish- ment of building £000	IT hardware and software £000	Office equip- ment and furniture £000	Total £000
		Cost or Valuation			
		1,127	493	458	2,078
		—	253	8	261
		—	(109)	(18)	(127)
		Surplus/(loss) on revaluation			
		—	(46)	—	(46)
		24	25	—	49
		<u>1,151</u>	<u>616</u>	<u>448</u>	<u>2,215</u>
		Depreciation			
		(873)	(302)	(332)	(1,507)
		(160)	(147)	(59)	(366)
		—	98	18	116
		Surplus/(loss) on revaluation			
		(25)	21	(2)	(6)
		(24)	(13)	—	(37)
		<u>(1,082)</u>	<u>(343)</u>	<u>(375)</u>	<u>(1,800)</u>
		<u>69</u>	<u>273</u>	<u>73</u>	<u>415</u>
		<u>254</u>	<u>191</u>	<u>126</u>	<u>571</u>
		HISTORIC COST NET BOOK VALUE at 31 March 2001			
		<u>83</u>	<u>301</u>	<u>70</u>	<u>454</u>

Building refurbishment costs, office equipment/furniture and IT hardware and software costs were revalued by comparing average indices for the year of purchase with those for the 2000-01 financial year. Indices were drawn from the following Office of National Statistics publications; "Price Index Numbers for Current Cost Accounting (MM17)" and "Producer Price Indices (MM22)".

Debtors: amounts falling due within one year	9	As at 31 March 2001 £000	At at 31 March 2000 £000
		452	225
		32	28
		<u>2,882</u>	<u>3,734</u>
		<u>3,366</u>	<u>3,987</u>

Cash balances 10 Details of balances at the year end:

	As at 31 March 2001 £000	At at 31 March 2000 £000
Cash held in Paymaster account		
in respect of running costs	63	33
in respect of programme costs	3,126	3,408
	<u>3,189</u>	<u>3,441</u>

The DfES authorises a working cash balance for the TTA of 2% of the individual programme and running costs grants for the year. At 31 March 2001 the balances as per bank, compared with the amounts authorised, were as follows:

	Year to 31 March 2001		Year to 31 March 2000	
	Running costs £000	Pro- gramme funds £000	Running costs £000	Pro- gramme funds £000
Grant voted as per Note 2	6,367	304,667	5,570	225,356
2 per cent thereof	127	6,093	111	4,507
Balances as above	<u>63</u>	<u>3,126</u>	<u>33</u>	<u>3,408</u>
Balance to be surrendered	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>

Creditors: amounts falling due within one year

	As at 31 March 2001 £000	As at 31 March 2000 £000
Trade Creditors	2,124	499
Other creditors including taxation	249	67
Accruals	21	25
	<u>2,394</u>	<u>591</u>

Leases and hire purchase obligations

12 At 31 March 2001 the TTA had the following commitments under non-cancellable operating leases as set out below.

	As at 31 March 2001 £000	At at 31 March 2000 £000
Land and Buildings:		
Operating leases which expire:		
within one year	—	622
within two to five years	1,307	243
after more than five years	—	—
Other Operating leases:		
within one year	—	—
within two to five years	68	—
after more than five years	—	—

Deferred Government Grant	13		As at	As at
			31 March 2001	31 March 2000
			£000	£000
		Balances at 1 April	575	572
		Allocated from Grant in Aid	261	290
		Released to Income and Expenditure	<u>(366)</u>	<u>(288)</u>
		Reserves carried forward at 31 March (rounded)	<u>470</u>	<u>575</u>

The balance on the account represents grant in aid funding used to finance the purchase of the TTA's fixed assets. A proportion is transferred to the Income and Expenditure account annually over the estimated life of the relevant assets, to offset the depreciation charge—based on historic cost—on those assets.

Reserves: Reconciliation in Movement of Government Funds	14		Year to			Year to		
			31 March 2001			31 March 2000		
			Revalua-			Revalua-		
			tion	I&E	Total	tion	I&E	Total
			Reserve	Account	£000	Reserve	Account	£000
			£000	£000	£000	£000	£000	£000
		Balance at 1 April	45	6,788	6,833	47	2,809	2,856
		Retained surplus/(deficit)						
		for the year	—	(2,739)	(2,739)	—	3,979	3,979
		Surplus on revaluation	49	—	49	36	—	36
		Additional depreciation						
		on revaluation	<u>(37)</u>	<u>—</u>	<u>(37)</u>	<u>(38)</u>	<u>—</u>	<u>(38)</u>
		Reserves carried forward						
		at 31 March	<u>57</u>	<u>4,049</u>	<u>4,106</u>	<u>45</u>	<u>6,788</u>	<u>6,833</u>

Financial Commitments at end of the period

15 Administration

As at 31 March 2001 the TTA had no capital commitments. Commitments under operating leases, are set out in Note 12 to the Accounts.

Programme

Current ITT and INSET expenditure for institutions is approved on an academic year basis—1 August to 31 July. The figures as at 31 March 2001 cover the TTA's known commitment in respect of the academic years ending on 31 July 2001 through to 31 July 2002.

	As at	As at
	31 March 2001	31 March 2000
	£000	£000
The amount of grant committed for the period is:		
due within one year	185,191	181,773
due within two to five years	75,240	81,298
due after five years	Nil	Nil

Grants paid to TTA compared with grants paid to Institutions and other bodies	16	1999-2000	Grant	Other	Cash grant	2000-01
		underspend	received	cash	paid to	under-
		c/f	from the	(inc. via	Institutions	spend
		(Note 10)	DfES	HEFCE)	and other	c/f
		£000	£000	(Note 2b)	bodies	£000
Programme Funds	3,408	304,667	1,258	(306,207)	3,126	
Administration Costs	33	6,106	366	(6,442)	63	
	3,441	310,773	1,624	(312,649)	3,189	
Deferred Government Grant	—	261	—	(261)	—	
Total	3,441	311,034	1,624	(312,910)	3,189	

The TTA's grant received from DfES of £311,034,000 has been analysed between £310,772,680 for operating activities and £261,320 received for financing activities.

Comparative figures for the year ended 31 March 2000:

	1998-99	Grant	Other	Cash grant	1999-2000	
		underspend	received	cash	paid to	under-
		c/f	from the	(inc. via	Institutions	spend
		(Note 2a)	DfES	HEFCE)	and other	c/f
		£000	£000	(Note 2b)	bodies	£000
Programme Funds	708	225,356	728	(223,384)	3,408	
Administration Costs	98	5,280	521	(5,866)	33	
	806	230,636	1,249	(229,250)	3,441	
Deferred Government Grant	—	290	—	(290)	—	
Total	806	230,926	1,249	(229,540)	3,441	

Statement of Losses and Special Payments 17 The TTA has the delegated authority, under the terms of its Financial Memorandum with the DfES dated 3 January 1995, to write off individual losses up to a value of £1,000 (reduced to £250 in cases where fraud is suspected), subject to an annual limit of £20,000. The TTA also has the delegated authority to make individual ex gratia payments up to a value of £500, subject to an annual limit of £10,000. Above these levels, the TTA must seek approval from the DfES to write off losses and to make ex gratia payments.

The statement below sets out the losses incurred and ex gratia payments made where the sum involved was above the delegated limits.

	Year to 31 March 2001		Year to 31 March 2000	
	No.	Total Value	No.	Total Value
Losses (above £1,000)	2	£3,776	1	£12,651
Special Payments above £500	0	—	0	—
Ex gratia payments	0	—	1	£11,000

Reconciliation between 18
cash balances at
31 March 2001 and
grants income and
expenditure figures
disclosed in Income
and Expenditure
account

	Year ended 31 March 2001		Year ended 31 March 2000	
	£000	£000	£000	£000
Total grant received for institutions and other bodies (Note 2a)		311,034		230,926
Other operating income (Note 2b)		1,624		1,249
		<u>312,658</u>		<u>232,175</u>
Less				
Programme Expenditure on Institutions and other bodies	(308,264)		(222,023)	
Running Cost Expenditure on Institutions and other bodies	(7,392)		(6,495)	
Grant applied to purchase of fixed assets	(261)		(290)	
		<u>(315,917)</u>		<u>(228,808)</u>
Add				
Depreciation	366		288	
Notional Items	161		323	
Loss on revaluation of Assets	52		(3)	
Receipt from sale of Fixed Assets	4		2	
(Increase)/decrease in debtors—institutions and other bodies	621		(1,036)	
(Decrease)/increase in creditors—institutions and other bodies	1,803		(306)	
		<u>3,007</u>		<u>(732)</u>
Cash movement		<u>(252)</u>		<u>2,635</u>
Cash balance at start of period		3,441		806
Cash balance at end of period— see Note 10		<u>3,189</u>		<u>3,441</u>
Cash movement		<u>(252)</u>		<u>2,635</u>

Audited accounts for ITT providers 19 Included in these accounts are grants to providers of initial teacher training, which are subject to verification by those institution's external auditors that they have been used for their approved purposes. The financial year of these institutions ends with two exceptions on 31 July each year. The TTA requires higher education institutions to provide it with audited accounts by the end of December following the end of each year, and requires other providers of ITT to supply audited accounts by the end of November following the end of the academic year.

Audit of institution accounts for the 1999-2000 academic year

For the academic year ending 31 July 2000, the TTA has now received audited accounts from all 80 higher education ITT providers and all 37 other ITT providers

Related Party transactions

20 The DfES is regarded as a related party. During the year, the TTA has had various material transactions with the Department, and with other entities for which the DfES is regarded as the parent Department, viz The Higher Education Funding Council for England and the Qualification and Curriculum Authority.

In addition, the TTA has had a small number of material transactions with other Government Departments and other central government bodies. Most of these transactions have been with the Welsh Office.

During the year, the TTA entered into the following transactions with the following related parties:

- Funding allocations to Oxford Brookes University, whose Vice Chancellor was Professor Clive Booth, Chair of the TTA Board.
- Funding allocations to the Homerton College, Cambridge, whose Director of Research is Professor John Gray, Board Member.
- Funding allocations to the University of Exeter, whose Professor of Headship and School Effectiveness is Professor David Reynolds, Board Member.
- Funding allocations to Edge Hill College of Higher Education, whose Director and Chief Executive is Dr John Cater, Board Member and Chair of the Audit Committee.
- Funding allocations to Bath Spa University College, whose Chief Executive is Frank Morgan, Audit Committee Member.
- Funding allocations to Bishop Grosseteste College, whose Principal is Professor Eileen Baker, Board Member.
- Funding allocations to University of London, Institute of Education, whose Dean of Initial Teacher Education & INSET is Professor Barbara MacGilchrist, Board Member.
- Payments in the ordinary course of business to British Telecom, whose Group Personnel Director is John Steele, Board Member. The amounts involved are not material to either party.

None of the key managerial staff or other related parties has undertaken any material transactions with the TTA during the year.

Appendix 1

Accounts Direction given by the Secretary of State for Education and Employment in respect of Accounts from 1 April 1999

1. The Secretary of State for Education and Employment with the approval of the Treasury, in accordance with the Education Act 1994 (Schedule 1, 16(2)) and the Financial Memorandum between the Secretary of State and the Teacher Training Agency (TTA) gives the following Accounts Direction.
2. The accounts shall be entitled overall as “Financial Statements of the Teacher Training Agency”.
3. The reports and financial statements which it is the duty of the TTA to prepare in respect of the period from 1 April 1999 to 31 March 2000 and thereafter on an annual basis (with comparatives) shall comprise and be ordered as follows:
 - a The TTA Board Members’ Responsibility Statement⁽¹⁾.
 - b The audit report.
 - c A foreword.
 - d A statement of performance indicators, targets and results.
 - e Financial statements comprising:
 - i a cash flow statement using the direct method⁽²⁾ according to Financial Reporting Standard number 1 (FRS1);
 - ii an income and expenditure account;
 - iii a balance sheet; and
 - iv if there are any changes in net assets that have not been reflected in the income and expenditure account, a statement of total recognised gains and losses according to Financial Reporting Standard 3 (FRS3).

For i to iv above, such notes should be included as may be necessary to comply with paragraph 4 below.

1. The TTA shall observe all relevant guidance given in “Government Accounting” and in “Executive NDPBs: Annual Reports and Accounts guidance” as amended or augmented from time to time.

⁽¹⁾ In lieu of the Directors’ Responsibility statement and in accordance with Auditing Standard 600 (SAS 600).

⁽²⁾ Under the direct method operating receipts and payments are separately disclosed.

2. The financial statements shall be produced under the historical basis of accounting (modified by any valuations) to give a true and fair view of the surplus or deficit, state of affairs, total recognised gains and losses and cash flows of the TTA. Subject to the foregoing requirement, the annual statements shall also without limiting the information given and save as prescribed in Schedule 1 to this Direction meet:
 - a the accounting disclosure requirements of the Companies Act;
 - b Generally Accepted Accounting Practice in the United Kingdom (UK GAAP) with the exception of the requirement contained in FRS3 for the inclusion of a note showing historical cost profits and losses;
 - c any disclosure and accounting requirements which the Treasury may issue from time to time in respect of financial statements which are required to give a true and fair view; and
 - d any additional disclosure requirements contained in "The Fees and Charges Guide", in particular those relating to the need for appropriate segmental information for services or forms of service provided for which a charge is made.
3. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:
 - a fixed assets at their value to the business by reference to current costs; and
 - b stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.
4. The TTA shall follow the guidance issued by the Treasury in March 1996 requiring NDPBs to disclose in their accounts the full costs of their activities. Accordingly, the accounts shall include notional charges to reflect the cost of interest on capital employed. The notional cost shall be reversed before calculation of the carried forward balance on the Income and Expenditure account.
5. The financial statements shall also include information set out in Schedule 2 to this Direction.
6. This Direction shall be reproduced as an appendix to the accounts.

Signed on behalf of the Department for Education and Employment on the authority of the Secretary of State.

Graham Holley
Divisional Manager
Teacher Supply and Training Division
Department for Education and Employment

10 July 2000

Schedule 1

- 1** The disclosure exemptions permitted by the Companies Acts will not apply unless specifically authorised by the Secretary of State.
- 2** The income and expenditure accounts and the balance sheets shall respectively follow format 2 and format 1 prescribed in Schedule 4 to the Companies Act 1985 to the extent that such requirements are relevant. Regard should be had to the need to strike the balance sheet totals at "Total Assets Less Current Liabilities".
- 3** The financial statements should be compiled on a gross basis consistent with the overriding requirement to show a true and fair view. The primary financial statements should be drawn to the nearest £'000.
- 4** All the disclosure requirements set out in this Direction must be complied with except where nil values arise for both the current accounting period and the comparative value.
- 5** The foreword and balance sheet should be signed and dated by the TTA Accounting Officer.

Schedule 2

- 1 The foreword as a minimum shall contain the relevant information required by the Companies Act 1985 to be disclosed in the Directors' report. Additionally it should:
 - (a) describe the statutory authority for the accounts and include a brief history of the body and its statutory background together with the names of the Agency members who served from the start of the financial accounting period until the accounts are approved by the Board;
 - (b) include a reference to the financial statements being prepared in accordance with a direction given by the Secretary of State with the approval of the Treasury, in pursuance of paragraph 16(2) of Schedule 1 to the Education Act 1994; and
 - (c) be elaborated with such additional information as the Agency may consider to be useful to the readers of the financial statements. In particular if there is a deficit of expenditure over income the reasons would be explained.
- 2 The statement of performance indicators, targets and results shall contain such information as the Secretary of State shall in consultation with the Agency consider to be necessary for disclosure.
- 3 The cash flow statement drawn up on the direct method shall disclose inter alia:
 - (a) Grants received from the DfES (see further note 6(a) below).
 - (b) Grants and loans paid to eligible institutions and other bodies (see further note 6(a) below).
 - (c) Loans repaid.
 - (d) Capital expenditure.
 - (e) Receipts from the sale of tangible fixed assets.
 - (f) The movement between opening and closing cash balance(s).
- 4 The Income and Expenditure account shall show where relevant, inter alia:
 - (a) Under "Income":
 - (i) total grant-in-aid from the DfES for revenue purposes (see further 6(a));
 - (ii) total earmarked grants from the DfES (see further 6(c));
 - (iii) grants from other departments and exchequer bodies (if any);
 - (iv) transfers from the deferred grant account in respect of the utilisation of DfES grant-in-aid for capital purposes in the year under review;

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- (v) income from the registration fee for Head Teachers and Leadership and Management Programme (HEADLAMP); and
 - (vi) other operating income, for example income from the sale of occasional publications.
- (b) Under "Expenditure":
- (i) grants paid to "eligible institutions" measured on an accruals basis for the carrying out of qualifying activities (see 4(2) of the Education Act 1994) (see further 6);
 - (ii) efficiency studies carried out under section 10(1) of the Education Act 1994;
 - (iii) research carried out under section 11 of the Education Act 1994;
 - (iv) the provision of information and advice on teaching as a career under section 1(1)(b) of the Education Act 1994;
 - (v) such additional functions as are imposed or confer by the Secretary of State under 16(1) of the Education Act 1994;
 - (vi) administration costs (analysed in the notes to the accounts: see 6(g) below).
- (c) Surplus/(deficit) for the year under review before tax.
- (d) Interest receivable.
- (e) Appropriations to DfES.
- (f) Corporation Tax and Income Tax (if any).
- (g) Surplus/(deficit) for the year under review after tax.
- (h) Transfers to and from any reserves.
- (i) Retained surplus/(deficit) brought forward and carried forward.
- 5 The balance sheet shall show where relevant, inter alia
- (a) Tangible fixed assets.
 - (b) The TTA in consultation with the DfES shall determine a *de minimis* value for capitalising fixed assets in the balance sheet which for the time being should be no higher than £1,000.
 - (c) Loans outstanding under section 5(1) of the Education Act 1994.
 - (d) Net current assets:
 - (i) stocks (if any);
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- (ii) debtors and prepayments;
 - (iii) short term cash deposits and cash;
 - (iv) creditors and accruals.
- (e) Deferred income.
 - (f) Creditors falling due after more than one year (including repayable grants).
 - (g) Provisions for liabilities and charges.
 - (h) Reserves.
- 6 A note to the annual financial statements shall disclose:
- (a) By way of note to the cash flow statement a schedule of total grants paid to the eligible institutions and matched against grants paid to the TTA by the DfES and showing virement between the grants received. The note shall also disclose under or overspends according to the types of grant and in total.
 - (b) The working cash balance at the year end compared to the amount authorised by DfES divided between programme and running costs.
 - (c) A reconciliation statement between 6(a) and 6(b) above and the grants income and grant expenditure disclosed in the income and expenditure account.
 - (d) Amounts of receipts from institutions in respect of Exchequer funded assets sold by them and repaid to the Consolidated Fund through the DfES.
 - (e) Amounts of any other income received, such as income from occasional sales of publications, together with amounts surrendered to the DfES.
 - (f) Administration costs analysed by the following headings:
 - consultancy;
 - payroll costs;
 - depreciation;
 - other operating costs by main types of expenditure.
 - (g) An analysis of the full cost expenditure of the current programmes which the Agency is undertaking.
 - (h) Details of staff costs, analysed between wages and salaries, social security costs and pension costs. The note shall also disclose the average number of persons employed by the Agency (excluding staff seconded to other organisations but including staff seconded from other organisations) analysed by category of

employment in a way which reflects the manner in which the Council's activities are organised.

- (i) Details for the Chief Executive and other most senior managers of the Agency, by named individuals, of:
 - (i) the aggregate of the remuneration payable for the year (defined in accordance with paragraph B 07 of the Greenbury Code) and of pension entitlements (calculated on the basis set out in PCSPS circular PC/107);
 - (ii) service contracts with a notice period in excess of 12 months; and
 - (iii) any business interests defined in accordance with paragraph B 11 of the Greenbury Code.
- (j) Details of the pension arrangements for staff.
- (k) A note that Board members confirm that Government grants received have been used only for approved purposes.

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