



REPORT CARD

Reforming the Department for Education

By Tim Ambler

DISCUSSION PAPER

EXECUTIVE SUMMARY

- The Department for Education has a number of arm's length bodies that should be dropped, delegated elsewhere or streamlined;
- Opportunities for reform include:
 - Merging the Standards and Testing Agency (STA) with Ofsted;
 - Transferring all responsibility for education and skills funding to the Education and Skills Funding Agency (ESFA) whilst passing its other policy and implementation roles back to the Department for Education's HQ;
 - Simplifying the types of revenue and capital grants to schools and education/skills providers as well as the process by which they are administered;
 - Overhauling the student loan system by allowing students to sell equity stakes in their future earnings;
 - Merging the Office for Students (OfS) into Ofsted, transferring grant-giving responsibility to the ESFA;
 - Transferring industry training boards (such as the Engineering Construction Industry Training Board and the Construction Industry Training Board) to their associated industries;
 - Turning Ofqual and Ofsted into Executive Agencies of the Department for Education;
- Taken together, these changes could drastically improve efficiency by reducing the headcount by 68% and thereby provide the taxpayer with greater value for money.

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ABOUT THIS SERIES

The UK government plans to reduce the civil service headcount by nearly 20%. We believe that deeper savings—bringing lower costs and greater efficiency—are easily possible. Whitehall has grown far more than 20% in the last seven years alone; and we have found most departments to be a confused clutter of overlapping functions and agencies. This series aims to cut through that clutter to suggest nimbler, lighter structures.

Whitehall departments have two functions: to manage policy and to provide services. We believe that services (such as passport provision) should be provided by executive agencies, without being swamped by the core department staff. We also believe that the cores could work, more effectively, with a fraction of their staff.

Deep staff reductions can be managed through natural turnover, early retirement, pausing non-essential recruitment and other methods. The result would be a slimmer, more focused civil service, better services for users and substantial savings for taxpayers.

INTRODUCTION

The Department for Education (DfE) employs about 12,423 people, according to its 2020/21 annual report.¹ (This excludes Ofqual and Ofsted, which are separate.) The DfE has two main functions, to improve the standard of state education and administer the money that the Treasury provides it, though it gets involved in much more.

Does it, in fact, do too much? What should be dropped, what should be delegated and what should be streamlined? Does it need only a small HQ, dealing with policy, legislation and funding, rather than the present 6,271 headcount?² In this paper we review the structure of the DfE and its arm's length bodies (ALBs), as well as their performance.

DEPARTMENT FOR EDUCATION STRUCTURE

BUSINESS GROUPS

According to its latest annual report, the DfE has six "business groups":

- **Social Care, Mobility and Disadvantage Group (SCMD).** This is also the departmental HQ: "management of the private offices for...ministers and the Permanent Secretary" and communications.
- **Early Years and Schools Group (EYSG).**
- **Higher Education and Further Education Group (HEFE).**
- **Education and Skills Funding Agency (ESFA).** This is not an agency itself, although it is associated with the Institute for Apprenticeships and Technical Education (IFATE) which designs qualifications for apprentices and technicians.
- **Covid Response and Recovery Group (CRRG).**
- **Operations Group.** Charged with providing schools and delivering "the Department's objectives for the school estate so that all children can access a good school place and learn in good quality, safe environments."³

OTHER AGENCIES

There are also 16 executive agencies (EAs) and non-departmental public bodies (NDPBs). Nine EAs and seven other bodies are listed in the annual report (pp.29-30.)—though in Annex D, only three EAs and 10 NDPBs are listed. This is only

¹ Gov.uk, 'Department for Education: Consolidated annual report and accounts', Dec 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1041620/CCS0121879180-001_DFE_Annual_Report_20-21_Web-Accessible.pdf

² Gov.uk, 'Workforce Management Information - Department for Education', Apr 2022: <https://data.gov.uk/dataset/9a5ace56-cf8e-432a-b87b-50d4ba841641/workforce-management-information-department-for-education>

³ Gov.uk, 'Department for Education: Consolidated annual report and accounts', Dec 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1041620/CCS0121879180-001_DFE_Annual_Report_20-21_Web-Accessible.pdf

one of many inconsistencies. For example, the DfE headcount (including Executive Agencies and Non-Departmental Public Bodies) of 12,423 on p.137 of the 2020/21 annual report grows to 12,801 by p.141 but returns to 12,435 in Annex D. A year later, according to the payroll, it was 12,908.⁴

PRIORITIES

The DfE's business groups do not seem to align with its four stated priorities, which are detailed in its annual report as follows:

- “driving economic growth: through improving the skills pipeline, levelling up productivity and supporting people to work
- boosting and levelling up education standards: so that children and young people in every part of the country are prepared with the knowledge, skills and qualifications they need
- support for the most disadvantaged and vulnerable: to maximise opportunity and reduce dependency, supported by high quality local services
- providing the best start in life: high-quality early education and childcare to raise standards and help parents to work.”

PERFORMANCE MEASUREMENTS

The DfE provided no plan for 2020/21, and neither past nor planned nor actual performance metrics, so apart from keeping overall expenditure below budget, it is impossible to establish how well it performed. Annex D of the annual report shows £18 billion expenditure for staff (£343 million staff costs and £17,641 other costs). The 5,501 head count for the Ministerial Department at the end of March 2021 increased to 6,271 a year later (which may be Covid-related) but we do not know how that staffing aligned with departmental priorities.

According to p.38 of the annual report, the total expenditure for the year was £101.9 billion, of which £25.9 billion was capital and £75.9 billion revenue, giving rise to discrepancies with the £76.9 billion and £82 billion revenue expenditures reported in Annexes C and D respectively. These accounts may be correct, but they are certainly inconsistent.

Some £8.4 billion of costs is from the write-off of student loans and £617 million (p.215) from operating expenditure, of which the largest component is £357 million for professional fees other than consultants (£9 million). Around £8 billion of departmental central costs are not explained. An extra £4.3 billion Covid spending may be part of the explanation, though the Treasury only contributed £3 billion of that, the balance coming from the DfE's existing resources.⁵

⁴ Gov.uk, 'Workforce Management Information - Department for Education', Apr 2022: <https://data.gov.uk/dataset/9a5ace56-cf8e-432a-b87b-50d4ba841641/workforce-management-information-department-for-education>

⁵ Schools Week, 'DfE raids existing budgets for a third of £4.3bn Covid spending', May 2021: <https://schoolsweek.co.uk/covid-dfe-taps-existing-budgets-to-fund-1-3bn-coronavirus-spending/>

Of the three EAs, the Education and Skills Funding Agency (ESFA), with £62 billion expenditure and 1,775 staff, is by far the largest. The Standards and Testing Agency⁶ and Teaching Regulation Agency (TRA) cost £29 million and employ 198 between them.

Neither of these two bodies should be EAs; the former should be merged with Ofsted and the latter privatised. Other professional bodies, such as solicitors or accountants, set their own qualification standards and self-regulate: teachers should do likewise.

TEACHING REGULATION AGENCY

The TRA, for its part, claims (p.8 of its annual report) that it “will make sure that everyone has the chance to reach their potential and live a more fulfilled life. It will also create a more productive economy, so that our country is fit for the future.”⁷ This seems a grand ambition for its £7 million budget.

EDUCATION AND SKILLS FUNDING AGENCY

DfE was asked by the Cabinet Office to review the ESFA. It reported back in January 2022:⁸

“The ESFA is responsible for: distributing £62 billion in funding to over 24,700 education and skills providers—and ensuring this public money is well spent, developing and delivering significant programmes and projects, including Apprenticeships and Technical Education Reform programmes, and operating key services in the education and skills sectors, such as the National Careers Service and Schools Resource Management.”

Clearly *someone* must administer the government’s education and skills funding; but should the ESFA engage with all the other issues it now addresses? The January 2022 report sensibly recommended that ESFA should take over (all) education and skills funding on behalf of the DfE and pass its other policy and implementation roles back to the DfE HQ. (According to the report, the DfE distributes £100 billion to education and skills providers but only 60% went through the ESFA in 2020/21.) The report proposed that the transition should be phased but that would just complicate matters: it should be done at once.

⁶ Gov.uk, ‘Standards and Testing Agency: Annual Report and Accounts’, Jul 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1003006/DfE_STA_Annual_Report_2020-21.pdf

⁷ Gov.uk, ‘Teaching Regulation Agency: Annual Report and Accounts’, Jul 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1002728/TRA_Annual_Report_2020-21.pdf

⁸ Gov.uk, ‘Review of the Education and Skills Funding Agency: Summary findings’, Jan 2022: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1054696/Review_of_the_Education_and_Skills_Funding_Agency_summary_findings.pdf

The 2020/21 annual report (p.209) shows £72 billion in 32 different types of revenue and capital grants from the central department and agencies. Plainly, the variety of grants should be massively trimmed. Moreover, the schools' funding formula should be computerised and thereby reduced to one grant in place of 12 different ones. The same model, adapted as needs be, could be used for mid-year top ups. Similarly, just one grant system should be used for early years. Children's services are basically funded by local authorities, topped up where necessary by the Department for Levelling Up, Housing and Communities (DLUHC). Either the responsibility should be entirely moved to the DfE with a single grant mechanism, or it should all be with the DLUHC.

We envisage a computer model for all of England's 22,047 state schools.⁹ Where schools are administered by local authorities, the aggregate DfE total contribution for each group of schools would go to the relevant authority. The model's funding allocations would be based on the current local¹⁰ and national¹¹ formulae, updated by DfE policy. The politics of this are difficult: special needs vs. regular schools, poorer vs. more affluent communities, areas that find teacher recruitment harder or easier, the local cost of housing/living, etc. The list is long and these are essentially political questions for ministers, not ESFA. An additional concern is that rewarding poorly performing schools with extra money could cause adverse effects. Other means of correction need to be found; otherwise, additional funding could act as an incentive to perform worse.

Once the funding distribution model is in place and tested against allocation in previous years, it should require no more than a tenth of the present staff to feed it with data changes and the allocations.

STUDENT LOANS

Today's student loans are a bad way of subsidising higher education. According to the Commons Library recently, the Government expects a mere 25% to be repaid.¹² In 2020/21, the cost of write-offs to the DfE was £8.4 billion (p.217) with 3,199 staff administering it (Annex D). According to the Commons Library, "The value of outstanding loans at the end of March 2021 reached £160 billion. The Government forecasts the value of outstanding loans to reach around £560 billion

⁹ BESA, 'Key UK education statistics', Jul 2021: <https://www.besa.org.uk/key-uk-education-statistics/#:~:text=There%20are%2024%2C413%20schools%20in%20England%20%E2%80%9393%20including,special%20schools%20and%20348%20pupil%20referral%20units%20%28PRUs%29>.

¹⁰ Gov.uk, 'Schools block funding formulae 2021 to 2022', Jun 2021: <https://www.gov.uk/government/publications/schools-block-funding-formulae-2021-to-2022/schools-block-funding-formulae-2021-to-2022>

¹¹ NEU, 'National Funding Formula', Nov 2020: <https://neu.org.uk/funding/national-funding-formula>

¹² House of Commons Library, 'Student loan statistics', Apr 2022: <https://commonslibrary.parliament.uk/research-briefings/sn01079/#:~:text=The%20Government%20expects%20that%2025%25%20of%20current%20full-time,private%20contributions%20towards%20the%20costs%20of%20higher%20education>.

(2019/20 prices) by the middle of this century.”¹³ And the Government’s ambition to double the proportion of new higher education students who repay their loans from 2023/24 seems optimistic.

The student loans system is based on the fallacy that higher education is the passport to high earnings. That was so when only around 10% went to university, not now, when 50% go and lower paid jobs like teaching and nursing insist on degrees. With 75% never repaying the loans, the system is simply deferring the costs to the Exchequer at great subsequent cost.

Civil servants do not make great bank managers. The Adam Smith Institute has already proposed a private sector-led system in which businesses can “invest” in students and their future earnings, as well as students making payments directly to universities rather than the Student Loan Company.

One idea would be to replace the current system with commercial bank loans guaranteed by the government for (say) five years after graduation. These might be redeemed by the government for those going into such jobs as social care, education or medicine. Those in other careers would have to reach terms with their bank—perhaps converting unrepaid loans into the equivalent of mortgages. The insurance industry might provide cover against bankruptcy arising from students’ inability to repay loans after five years.

Such reforms would make the financial burden of higher education clearer and encourage more critical thought about the merits of pursuing different higher education options on an individual level. It would also encourage more technical education funded by employers, resulting in an increased skills dividend.

OTHER ARM’S LENGTH BODIES

THE OFFICE FOR STUDENTS (OFS)

While the OfS sees its role as “the independent regulator of higher education in England”, it is neither independent nor a regulator. It claims five “strategic objectives” and 26 “key performance measures”, including questionable ones such as “Students achieving firsts” (easily achieved in an age of grade inflation) and “Graduate wellbeing” (hard to measure, and *undergraduate* wellbeing seems a more appropriate focus).

The vast majority of OfS’s £1.5 billion expenditure, according to its 2020/21 annual report¹⁴ went on grants to higher education establishments that provide approved subjects with relatively high teaching costs such as science, engineering and medicine. The 372 staff cost £24.5 million. In the light of the review discussed above, the OfS should turn over grant giving to the ESFA.

¹³ House of Commons Library, ‘Student loan statistics’, Apr 2022: <https://commonslibrary.parliament.uk/research-briefings/sn01079/>

¹⁴ OfS, ‘Annual report and accounts 2020–21’, Jun 2021: <https://www.officeforstudents.org.uk/media/c6ba1aac-8a98-4e9d-aa93-1d3d815cfa9e/ofs-annual-report-and-accounts-2021.pdf>

The OfS was set up with just two goals: students should be admitted to university according to their ability, not how well their schools had taught them, and once at university they should get good value. It should stick to those objectives. Ofsted has 1,800 staff¹⁵ for 24,413 England's state and independent schools,¹⁶ so merging OfS into Ofsted should only add minimally to Ofsted's headcount, taking the place of the 372 OfS staff for England's 165 universities and higher education colleges.¹⁷

NON-DEPARTMENTAL PUBLIC BODIES

The NDPBs include three industry training boards: the Construction Industry Training Board (CITB), with 780 staff; the Engineering Construction Industry Training Board (ECITB), with 74, and the Film Industry Training Board (FITB, recently wound up). The CITB and ECITB, set up in 1964, charged fees to their industries and made a combined profit of £46 million, but there have been persistent grumbles about them.¹⁸ They should be turned over to their industries.

Social Work England (SWE) should not appear as a DfE NDPB at all. It is a regulator that reports to the Professional (health and social care) Standards Authority (PSA) which is an NDPB of (unsurprisingly) the Department of Health and Social Care (DHSC). SWE employs 219 staff and in 2020/21 cost £17 million, less £9 million income.¹⁹ The PSA is also responsible for nine other such regulators. The SWE is new and therefore it is hard to judge its value: local authorities are already responsible for children's social work and adult's social work is the responsibility of the DHSC. The PSA (if we need it at all) and its ten subsidiaries should be bundled into one single unit.

The newly created Institute for Apprenticeships and Technical Education (IFATE) has 200 staff costing £14 million and other (net) expenditure of £7 million.²⁰ It is supposedly "employer led" and its role is to manage the new T level qualifications²¹ in the same way that Ofqual deals with A levels. IFATE should be merged into Ofqual.

There are three more ALBs: Located Property limited (53 staff), Aggregator Vehicle PLC (no staff) and the Office of the Children's Commissioner (31 staff). These

¹⁵ Gov.uk, 'Ofsted - About Us': <https://www.gov.uk/government/organisations/ofsted/about>

¹⁶ BESA, 'Key UK education statistics', Jul 2021: <https://www.besa.org.uk/key-uk-education-statistics/#:~:text=There%20are%2024%2C413%20schools%20in%20England%20%E2%80%93%20including,special%20schools%20and%20348%20pupil%20referral%20units%20%28PRUs%29>

¹⁷ Universities UK, 'Higher Education in Numbers', Dec 2021: <https://www.universitiesuk.ac.uk/latest/insights-and-analysis/higher-education-numbers>

¹⁸ The Construction Index, 'Lords call for SME house-building support', Jan 2022: <https://www.theconstructionindex.co.uk/news/view/lords-call-for-sme-house-builders-support>

¹⁹ Social Work England, 'Annual Report and Accounts 2020 to 2021', Jul 2021: https://www.socialworkengland.org.uk/media/4042/hc420-report-and-accounts-of-social-work-england-_final.pdf

²⁰ Gov.uk, 'Annual Report and Accounts for year ended 31 March 2021', Jun 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1000496/Institute_for_Apprenticeships_and_Technical_Education_annual_report_and_accounts_2020_to_2021_web_version.pdf

²¹ T levels are the equivalent of A levels for those pursuing technical, rather than academic, development.

three ALBs are too small to be quasi-independent units and should be merged back into the DfE HQ.

OFQUAL AND OFSTED

Ofqual and Ofsted are both non-ministerial departments answerable not to the DfE but, in theory, to Parliament.

OFQUAL

Ofqual's objectives are to secure and promote qualifications and national assessment standards efficiently and public awareness and confidence therein.²² Last year it employed 237 staff at a cost of £16 million.

OFSTED

Ofsted's 1,800 employees²³ inspect schools and assess how well they are fulfilling their roles. However, its annual report lists no objectives, performance measures, staffing data, or accounts. It is much criticised: a 2014 poll indicated that more than 90% of teachers considered Ofsted inspections had a neutral or negative impact on students' results.²⁴

The action point arising here, however, is not to critique these two bodies but to end the absurdity of removing the two key levers of DfE performance from the DfE's remit. Ofqual and Ofsted should become EAs of the DfE.

WHAT HELP DO TEACHERS REALLY WANT?

The DfE's enthusiasm for micro-management does not help good teachers, and its "same for all" corporate culture no longer works in a world of academies, using more diverse methods and focusing on more diverse skills, and where technical training and exams are evolving in parallel with academic ones.

This diversity needs to go further. Headteachers and their schools should be assessed on how well they equip their pupils for their next stages in life, not on standardised exams. Primary schools should be assessed on how welcome their students are on arrival at their preferred secondary schools; secondary schools on how welcome they are at their preferred further and higher education (FEHE) providers (or employers if they choose to leave school at 16).

Raising young peoples' value to the community is a powerful incentive for the young people themselves and their teachers. A standardised curriculum that students doubt will ever help them, is not. Headteachers want the freedom to do what they came into teaching to do. Ofsted and Ofqual provide more than enough stress;

²² Gov.uk, 'Annual Report and Accounts 2020 to 2021', Jul 2021: <https://www.gov.uk/government/publications/ofqual-annual-report-for-the-period-1-april-2020-to-31-march-2021/annual-report-and-accounts-2020-to-2021>

²³ Gov.uk, 'Ofsted - About Us': <https://www.gov.uk/government/organisations/ofsted/about>

²⁴ Teacher Support Network, 'Inspection Survey Results': <https://web.archive.org/web/20150919201253/http://teachersupport.info/research-policy/research-reports/inspection-survey>

all DfE needs to do is set policy, negotiate the maximum budget with HM Treasury, amend legislation when necessary and celebrate successes. It is hard to see why it would need more than 1,000 people to do that.

RECOMMENDATIONS

- **Funding:** The Education and Skills Funding Agency should be responsible for *all* the allocation of DfE funds to schools and education and skills providers. Its other current responsibilities should return to DfE HQ and its staff be reduced from 1,775 to around 175.
- **Loans:** Commercial alternatives to student loans should be sought, possibly with the government redeeming loans for those who enter certain “social employment” roles. The staff saving would be 3,199 (2020/21 Figure).
- **NDPBs and ALBs:** The training boards should be returned to their industries to run. The Institute for Apprenticeships and Technical Education and the Office for Students should be merged with Ofsted. Social Work England is properly part of the Department for Health and Social Care and should be characterised as such. The remaining three NDPBs are too small to justify their status and their roles should be absorbed by DfE HQ. The overall ALB headcount saving (March 2022 data) would be about 3,241.
- **Ofqual and Ofsted:** Ofqual and Ofsted are the two primary means by which the DfE can maintain and raise educational and skills standards. They should become Executive Agencies of the DfE. Together with the ESFA there would be three EAs. No other ALBs are necessary.
- **Promoting diversity:** Headteachers want very little from the DfE except the freedom to do their job; and the country needs educational diversity. The DfE needs only to set priorities, keep legislation fresh, and allocate public money. It should need no more than 1,000 staff to do that, compared to the current 6,271, making the total saving with ALBs 8,512 or 68.5% of the original 12,423.
- **Focus on priorities:** As with any such radical reduction in staff numbers, we must be careful not to let a focus on what is now *not* being done drive a push to reinstate numbers. The focus must always be on ensuring that the *priorities* are served.